VALEO PHARMA INC.

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2022

January 30, 2023

VALEO PHARMA INC.

Management's Discussion and Analysis for the three and twelve-month periods ended October 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 three months and years ended October 31, 2022, and October 31, 2021. This document should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended on October 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 January 27, 2023. 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 Adjusted Gross Profit, 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 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 Adjusted Gross Profit, EBITDA and Adjusted EBITDA used and presented by the Corporation to the most directly comparable IFRS measures are detailed below:

Adjusted Gross Profit is defined as gross profit from product sales less the amortization charges related to the licence fees, impairment charges and non-recurrent inventory write-offs specific to product launches. Management believes that Adjusted Gross Profit better reflect the cash impact of the profit contribution of our products mix.

EBITDA is defined as net profit or loss (L) 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, as it removes cash flow fluctuations caused by unusual changes in working capital.

A reconciliation of Gross Profit to Adjusted Gross Profit, as well as net (loss)/income to EBITDA (and Adjusted EBITDA) are presented later in this document.

Use of Estimates and Judgements

The preparation of these audited 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, revenues, and expenses are discussed in Note 3 of the Corporation's 2022 audited annual consolidated financial statements.

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)
DSU	Deferred Share Units
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
MA & Reg	Medical Affairs, Quality Assurance and Regulatory
OPEX	Operating Expenses
RSU	Restricted Share Unit
S&M	Sales and Marketing
SBC	Share-Based Compensation
FY-22	Fiscal Year 2022
FY-21	Fiscal Year 2021
Q4-22	Fourth quarter FY-22
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
QoQ	Current year quarterly results vs last year's quarterly results
YE-22	Year-end 2022, October 31, 2022
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 current assets less current 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
GDUFA	Generic Drug User Fee Act in the USA
GP	General Medical Practitioner
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
Spec	Specialty Medical Practitioner
SKU's	Stock Keeping Units
VPI	Valeo's Generic product subsidiary

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

The Corporation is a specialty pharmaceutical corporation 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. The Respiratory and Specialty Products Business Units were created to better support the commercial efforts for all 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, namely, Xiidra®, Simbrinza® from Novartis as well as 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.

With the continued growth of Redesca, Enerzair and Atectura, coupled with the addition of Xiidra, Simbrinza and Allerject, we expect each of the Respiratory/Allergy, Ophthalmology and Specialty BUs to positively impact our financial performance over the coming quarters. The 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.

As of the date of this document, the Corporation has approximately 115 full time employees including a team of 82 commercial positions comprising pharmaceutical representatives, sales professionals, and medical science liaison staff.

Product Portfolio

With 14 commercial assets, including 6 major product additions over the last 18 months, we expect our revenues to grow significantly over the coming years until each product reaches its full commercial potential. Valeo has recently announced that Sabizabulin, under commercial agreement from Veru Inc., has been accepted for review by Health Canada. Assuming a favorable review by HC, we anticipate that commercialization would commence in the first half of FY-24.

Valeo's product portfolio includes:

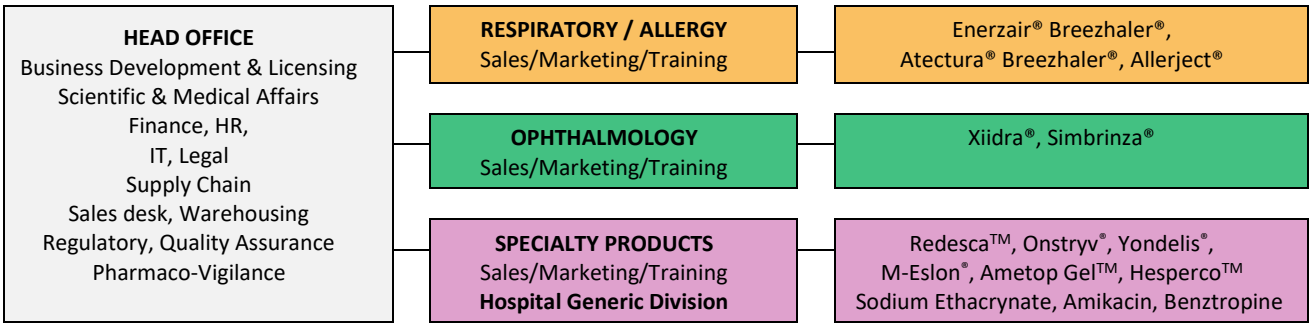
BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory/Allergy Business Unit			
Enerzair® Breezhaler®	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercial launch in June 2021, supported by a dedicated commercial team. • 100% Public reimbursement across Canada. Private insurance coverage in excess of 90%. • Canadian maintenance asthma market estimated at $535 million. [1]
Atectura® Breezhaler®	LABA/ICS dual combination asthma drug.		
Allerject®	Portable voice-activated epinephrine injector for emergency treatment of serious allergic reactions (anaphylaxis)	Kaléo, Inc. ("Kaleo")	• Commercial rights acquired late Q3-22 • 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")	• Commercial rights acquired late Q3-22. • Supported by a dedicated commercial team. • Canadian market estimated at $60 million. [1] • Private insurance coverage at 100%. No public coverage.
Simbrinza®	Ophthalmic Drops (brimonidine and brinzolamide) to treat open-angle glaucoma or ocular hypertension		• Commercial rights acquired late Q3-22. • Canadian market estimated at $55 million. [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. • Supported by a dedicated team of 8 sales professionals. • Canadian annual LMWH market estimated at $180 million. [1] • Public and Private insurance coverage in place across Canada.
Sabizabulin	Oral dual antiviral/anti-inflammatory agent for high-risk hospitalized adults suffering from COVID-19	Veru, Inc.	• Commercial agreement signed on September 14, 2022. • Filed with Health Canada in December 2022.
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 by Valeo 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 by Valeo since Q4-21.

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 for Valeo. 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.



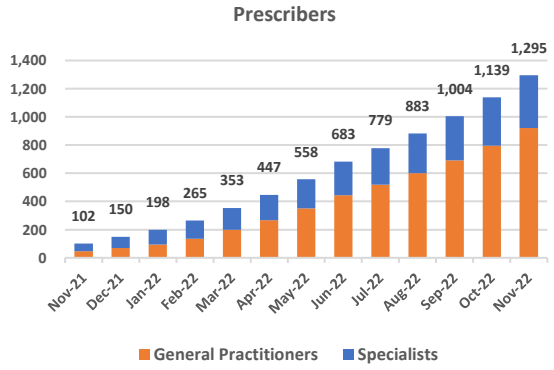
Respiratory/Allergy Business Unit

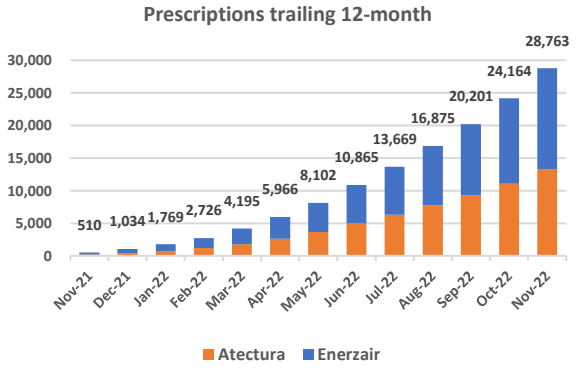
Enerzair® Breezhaler®, Atectura® Breezhaler®

The Respiratory/Allergy BU was created in March 2021 to commercialize two newly approved by HC and innovative asthma therapies, Enerzair and Atectura, licensed from Novartis. Both products bring compelling therapeutic benefits that were demonstrated in extensive clinical trials performed by Novartis. 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 establish Valeo as one of the leading companies in the large, established, and growing asthma market.

Approximately 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 and lack of drug efficacy. The market opportunities for innovative medicines in asthma are significant and Valeo is well positioned to take full advantage of the favorable market dynamics.

Our Q4-22 results show solid sales progress over prior quarters and we expect this trend to continue due to 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).





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

On July 29, 2022, following the in-licensing of ALLERJECT, (epinephrine injection, USP) from Kaléo (See "Q4-22 Business Highlights) the Respiratory BU product portfolio was expanded to include Allergy.

Allerject was first launched in 2013 and quickly captured 36% of the market. 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 with limited promotion effort in the Canadian market in 2019 and has thus far achieved a modest 5% market share. We believe that Valeo's targeted commercialization efforts combined with Allerject's strong competitive advantages will lead to significant market share gains. Valeo intends to promote the product within its Respiratory/Allergy business units

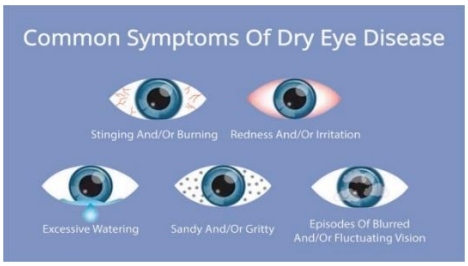
Allerject is used for the emergency treatment of serious allergic reactions (anaphylaxis) and is intended for people who are at risk and for people with a history of serious allergic reactions. Anaphylaxis reaction is a life-threatening condition which can be prevented by an appropriate use and dose 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).

Ophthalmology Business Unit

Following the in-licensing of Xiidra and Simbrinza from Novartis on July 29, 2022, Valeo has created its Ophthalmology BU. Valeo has assembled a dedicated and experienced Ophthalmology marketing specialists and sales force focusing 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 have a significant impact on its revenues in Fiscal 2023.

XIIDRA (lifitegrast) - a prescription eye drop used to treat the signs and symptoms of dry eye disease.

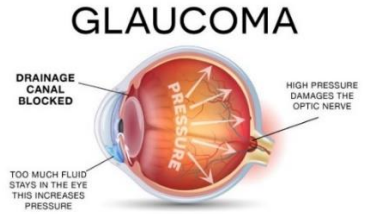
Dry-eye disease is a common condition that occurs when natural tears cannot provide adequate lubrication for the eyes. Reasons for tear film dysfunction are many, including hormone changes, autoimmune disease, inflamed eyelid glands or allergic eye disease. Incidence of the disease is also impacted by 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 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 optometrists 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 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.

Specialty Products Business Unit

The Specialty Product BU's focus is to ensure that Valeo derives 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 Q4-21. Due to the size of the commercial opportunity, the growing experience of our dedicated key acount management sales 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.

Redesca experienced a solid start in Q4-21 which included significant initial wholesale orders across Canada. The product has been gaining market shares since launch as hospitals progressively 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 $65M annually and comprises 6 competitors (Lovenox – and 4 biosimilars to Lovenox, including Redesca).

– The remaining market (the "Secondary Market") is composed of 2 other molecules – Dalteparin and Tinzaparin together representing sales of $115 million annually. No biosimilar has been approved for these molecules and none are expected over the next several years.

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.
➔ Provincial governments to continue de-listing biological drugs from public reimbursement to prioritize enoxaparin biosimilar.
➔ Enoxaparin biosimilars to start eroding the Secondary Market.

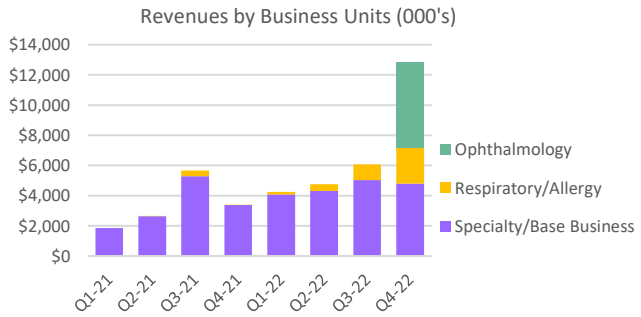
We believe Redesca is well positioned to take advantage of the above market trends.

Q4-22 Results Overview *(industry data - Source – IQVIA April and May 2022)*

Due to the continued growth of Redesca, Enerzair and Atectura, coupled with the recent addition of Xiidra, Simbrinza and Allerject, Valeo has achieved record revenues and adjusted gross margins in Q4-22 and for FY-22.

Sales of each of Xiidra, Simbrinza and Allerject have commenced during the first week of Q4-22 and have had a significant impact on our revenues. These 3 products had existing commercial revenues and therefore had an immediate and accretive impact upon sales. , Allerject revenues are reported as part of our Respiratory/Allergy business unit, while our Ophthalmology business unit includes Xiidra and Simbrinza revenues.

The graph below presents our revenues by BU for the last 8 quarters. Our annualized revenue run-rate as at the end of FY-22 now exceeds $50 million. This represents a significant increase over our FY-22 record revenues of $27.9 million.

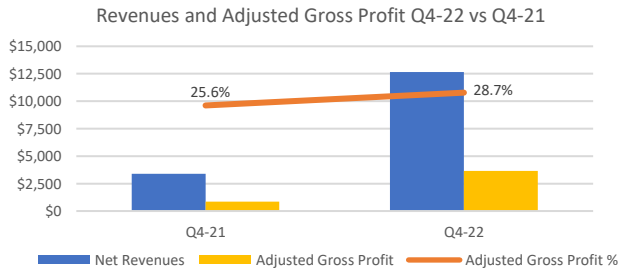


Expenses to support and reach peak market potential for these products have been added since the Kaleo and Novartis transactions in July 2022. Such expenses are mainly related to S&M activities. The balance of the existing commercial and HO infrastructure has been impacted by a lesser extent thus providing for significant economies of scale going forward.

Q4-22 Financial Results

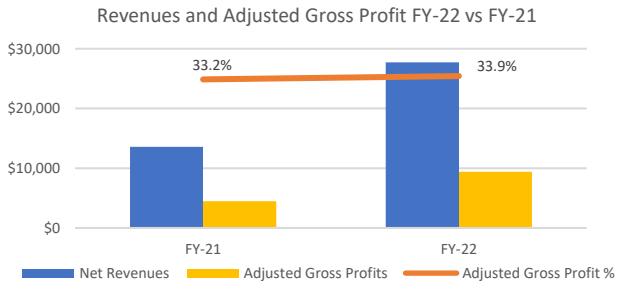
Q4-22 vs Q4-21 Performance

- Valeo achieved record revenues for Q4-22 at $12.7 million compared to $3.4 million for Q4-21, a 274% increase.
- Adjusted Gross Profit of $3.6 million, up 320% over Q4-21
- Operating loss for Q4-22 of $6.6 million, down 6% vs Q4-21
- Adjusted EBITDA loss for Q4-22 was $2.9 million compared to $5.5 million for Q4-21, a 47% improvement.



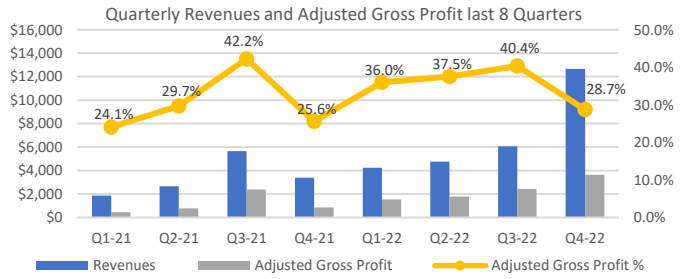
FY-22 vs FY-21 Performance

- Record Revenues for FY-22 at $27.7 million, up 105% compared to FY-21.
- Record Adjusted Gross Profit for FY-22, at $9.4 million up 109% compared to the prior year.
- Operating loss for FY-22 was $19.6 million.
- Adjusted EBITDA loss for FY-22 was $14.5 million.
- $25 million convertible debt and US$30 million term loan secured during FY-22



Q4-22 vs the prior quarter (Q3-22)

- Q4-22 Revenues grew 109% compared to Q3-22.
- Q4-22 Adjusted Gross Profit increased 49% compared to Q3-22.
- Operating loss for Q4-22 increased 63% compared to Q3-22.
- Adjusted EBITDA loss for Q4-22 improved 16% compared to Q3-22.



The addition of Xiidra, Simbrinza and Allerject have boosted the peak sales potential of our existing product portfolio to $225-250 million with a significantly lower impact on our OPEX. As we expect significant quarterly revenue growth over the coming quarters. This will lead to expanded profits and accelerate Valeo's path towards profitability. (See "Liquidities" section of this MD&A).

Our financial results also 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 ("Sagard") in Q4-22. 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 associated with the new products.

Q4-22 Highlights

- September 14, 2022 – Valeo entered into a Commercial Services Agreement with Veru, Inc. ("Veru") for Sabizabulin for COVID-19 in Canada. Sabizabulin is a novel dual antiviral and anti-inflammatory agent being targeted for the treatment of hospitalized moderate-severe COVID-19 patients at high risk for acute respiratory distress syndrome (ARDS) and death.
- 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 with a diverse work experience including 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.

Events Subsequent to YE-22

- November 21, 2022 – Valeo announced that Mr. Frederic Fasano has stepped down as Valeo's President and COO. Mr. Fasano will continue to act as special advisor to the Company and will remain on the Board of Directors. Mr. Fasano's duties and responsibilities are being integrated and assumed by the Company's CEO, Steve Saviuk and its newly appointed Chief Commercial Officer, Kyle Steiger.
- On January 26, 2023, Valeo announced the filing of a new drug submission with Health Canada for Sabizabulin, for the treatment of hospitalized COVID-19 patients.
- On January 27, 2023, the Corporation granted 26,786 RSUs as well as 395,850 DSUs to members of management in accordance with and subject to the terms of the Corporation's Equity Incentive Plan.

SELECTED FINANCIAL DATA

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

Consolidated Statements of Loss

			Change				*Change*	
	Q4-22	**Q4-21**	*$[1]*	*%[2]*	**FY-22**	FY-21	*$[1]*	*%[2]*
Revenues	**12,663**	3,382	*9,281*	*274%*	**27,745**	13,557	*14,188*	*105%*
Cost of Goods Sold	**11,678**	2,682	*8,996*	*335%*	**21,464**	9,602	*11,862*	*124%*
Gross Profit $	**985**	700	*285*	*41%*	**6,281**	3,955	*2,326*	*59%*
Gross Profit %	***7.8%***	*20.7%*		*-12.9%*	***22.6%***	*29.2%*		*-5.6%*
Adjusted Gross Profit $	**3,640**	867	*2,773*	*320%*	**9,405**	4,495	*4,910*	*109%*
Adjusted Gross Profit %	***28.7%***	*25.6%*		*3.1%*	***33.9%***	*33.2%*		*0.7%*
Expenses								
Sales and Marketing	**4,314**	4,183	*131*	*3%*	**15,832**	8,177	*7,655*	*94%*
General and Administrative	**1,568**	1,897	*(329)*	*-17%*	**5,042**	5,388	*(346)*	*-6%*
Medical affairs and Regulatory	**1,444**	1,237	*207*	*17%*	**3,928**	2,146	*1,782*	*83%*
Share Based Compensation	**235**	409	*(174)*	*-43%*	**941**	996	*(55)*	*-6%*
Profit Sharing	**71**	9	*62*	*689%*	**142**	65	*77*	*118%*
Total OPEX	**7,632**	7,735	*(103)*	*-1%*	**25,885**	16,772	*9,113*	*54%*
Total OPEX as % of revenues	***60.3%***	*228.7%*	*-168.4%*		***93.3%***	*123.7%*	*-30.4%*	
Operating Loss	**(6,647)**	(7,035)	*388*	*-6%*	**(19,604)**	(12,817)	*(6,787)*	*53%*
Other Expenses								
Financial, net	**4,149**	496	*3,653*	*736%*	**7,590**	1,276	*6,314*	*495%*
Unrealized loss (gain) on derivative warrant liability	**(307)**	130	*(437)*	*-336%*	**(274)**	140	*(414)*	*-296%*
Total Other Expenses	**3,842**	626	*3,216*	*514%*	**7,316**	1,416	*5,900*	*417%*
Provision for deferred income taxes	**(1,174)**	-	*(1,174)*	*100%*	**(1,174)**	-	*(1,174)*	*100%*
Net loss for the period	**(9,315)**	(7,661)	*(1,654)*	*22%*	**(25,746)**	(14,233)	*(11,513)*	*81%*
Other comprehensive loss								
Exchange differences on translating foreign operations	**(9)**	1	*(10)*	*-1000%*	**(13)**	10	*(23)*	*-230%*
Defined benefit plan, net act. gain[3]	**57**	93	*(36)*	*-39%*	**131**	93	*38*	*41%*
Total comprehensive loss	**(9,267)**	(7,567)	*(1,700)*	*22%*	**(25,628)**	(14,130)	*(11,498)*	*81%*
Loss per share								
Basic and diluted	**(0.11)**	(0.10)	*(0.01)*	*10%*	**(0.32)**	(0.20)	*(0.12)*	*60%*
WA # shares outstanding [4]	**82,190,348**	78,794,954	*3,395,394*	*4%*	**80,858,528**	69,930,380	*10,928,148*	*16%*

1. A positive variance represents a positive impact to net loss and a negative variance represents a negative impact to net income
2. Percentage change is presented in relative values
3. Net Actuarial Gain
4. Weighted Average number of shares

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

The following table presents a reconciliation of the gross profit to adjusted gross profit for Q4-22 and FY-22 as compared to prior year periods.

			Change				*Change*	
	Q4-22	Q4-21	*$[1]*	*%[2]*	**FY-22**	FY-21	*$[1]*	*%[2]*
Gross Profit $	**985**	700	*285*	*41%*	**6,281**	3,955	*2,326*	*59%*
Gross Profit %	**7.8%**	20.7%		*-12.9%*	**22.6%**	29.2%		*-5.6%*
Adjustments								
Licence cost amortization	**518**	123	*395*	*321%*	**887**	352	*535*	*152%*
Impairment of intangible assets	**729**	-	*729*	*100%*	**729**	-	*729*	*100%*
Inventory write-off (product launch)	**1,409**	44	*1,365*	*1000%*	**1,508**	188	*1,320*	*702%*
ADJUSTED GROSS PROFIT $	**3,641**	867	*2,774*	*320%*	**9,405**	4,495	*4,910*	*109%*
Adjusted Gross Profit %	**28.7%**	25.6%		*3.1%*	**33.9%**	33.2%		*0.7%*

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

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

The following table provides a reconciliation of net loss to EBITDA(L) for Q4-22 and FY-22 as compared to prior year periods

			Change				*Change*	
	Q4-22	Q4-21	*$[1]*	*%[2]*	**FY-22**	FY-21	*$[1]*	*%[2]*
Net Loss	**(9,315)**	(7,661)	*(1,654)*	*22%*	**(25,746)**	(14,233)	*(11,513)*	*81%*
Adjustments								
Income taxes	**(1,174)**	-	*(1,174)*	*100%*	**(1,174)**	-	*(1,174)*	*100%*
Interest Expense	**3,096**	628	*2,468*	*393%*	**6,461**	1,356	*5,105*	*376%*
Unrealized loss (gain) on derivative warrant liability	**(307)**	130	*(437)*	*-336%*	**(274)**	140	*(414)*	*-296%*
Depreciation	**64**	46	*18*	*39%*	**246**	131	*115*	*88%*
Amortization	**590**	138	*452*	*328%*	**1,172**	612	*560*	*92%*
EBITDA (L)	**(7,046)**	(6,719)	*(327)*	*5%*	**(19,315)**	(11,994)	*(7,321)*	*61%*
Other Adjustments								
Share-Based Compensation	**235**	409	*(174)*	*-43%*	**941**	996	*(55)*	*-6%*
Recruitment - new product	**75**	(26)	*101*	*-388%*	**75**	780	*(705)*	*-90%*
Other warrants/ options costs	**-**	17	*(17)*	*-100%*	**-**	132	*(132)*	*-100%*
Inventory write-off	**1,409**	44	*1,365*	*1000%*	**1,508**	188	*1,320*	*702%*
Exchange Listing fees	**-**	-	*-*	*-*	**169**	-	*169*	*-*
Contract penalty	**-**	220	*(220)*	*-100%*	**-**	220	*(220)*	*-100%*
Impairment of intangible assets	**1,223**	247	*976*	*395%*	**1,223**	247	*976*	*395%*
Other expenses	**-**	372	*(372)*	*-100%*	**(349)**	920	*(1,269)*	*-138%*
Foreign exchange	**1,192**	(84)	*1,276*	*-1000%*	**1,263**	(111)	*1,374*	*-1000%*
Adjusted EBITDA (L)	**(2,912)**	(5,520)	*2,608*	*-47%*	**(14,485)**	(8,622)	*(5,863)*	*68%*

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.

	Q4-22 vs Q4-21, and FY-22 vs FY-21
Revenues	• 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 vary 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. The licensing of Xiidra, Simbrinza from Novartis and Allerject from Kaleo on July 29, 2022, has impacted revenues starting from the first week of Q4-22.

	• The Corporation achieved RECORD quarterly revenues in Q4-22 at $12.7 million compared to revenues of $3.4 million in Q4-21. Net revenues in Q4-22 increased 274% over Q4-21 and 109% over the prior Q3-22 quarter. For FY-22, the Corporation achieved RECORD revenues at $27.7 million compared to $13.6 million for FY-21, a 105% increase. • The QoQ and YoY increases resulted mainly from the addition of Xiidra, Simbrinza, and Allerject for Q4-22, as well as continued growth of our other core products, Redesca, Enerzair and Atectura. Our Asthma products are experiencing significant QoQ 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 profit expansion.
Gross Profit $ and 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 profit. This will directly impact our overall profitability. • In addition to the transfer price for our products, our cost of goods also takes into consideration non-recurrent product write-offs, as well as the amortization and/or impairment of product rights. Amortization of license costs have increased during the last 2 fiscal years following the signing of new license agreements with Novartis and Kaleo.
	• Our gross profit contribution in Q4-22 was up 41% over Q4-21 period at $1.0 million while our gross profit contribution for FY-22 increased significantly over the FY-21 period at $6.3 million compared to $4.0 million representing a 59% increase. • Our gross profit % in Q4-22 has been impacted by the increase in amortization of products rights following the Novartis and Kaleo transactions, as well as material non-recurrent impairment of intangible assets, and inventory write-offs associated with product launches. (See "Adjusted Gross Profit").
Adjusted Gross Profit $ and ratio %	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Adjusted Gross Profit is defined as gross profit from product sales less the amortization charges related to license fees, impairment charges and non-recurrent inventory write-offs specific to product launches. • Management believes that Adjusted Gross Profit better reflect the profit contributions of our products mix. • Starting Q3-21 our COGS has been impacted by the amortization of the Enerzair/Atectura products rights. Starting Q4-22, amortization charges increased following the signing of the Xiidra, Simbrinza and Allerject agreements. • Also, in Q4-22 our COGS have been impacted by impairment charges related to non-core products, such as Ontryv which has not delivered the expected economic benefits due to the lack of public reimbursements 3 years post-launch. • Finally, our COGS in Q4-22 have been impacted by the write-off of inventory acquired pre-launch of Redesca and Enerzair/Atectura. Starting inventories are acquired with anticipated launch dates, and market growth rates per individual SKUs. We take provisions on such products as they become short-dated for commercialization. Following the launch of our products, we have revised the mix of SKUs per batch and renegotiated MOQs ("Minimum Order Quantities") with our partners to adapt to market demand and minimize possible write-offs. • After taking the above-described adjustments into consideration, our Adjusted Gross Profit for each of Q4-22 and FY-22 have increased significantly over prior periods at $3.6 million and $9.41 million for Q4-22 and FY-22, representing 320% and 109% increases over Q4-21, and FY-21 respectively. • Adjusted Gross Profit % has also improved slightly at 28.7% in Q4-22 compared to 25.6% in Q4-21, as well as 33.9% in FY-22 compared to 33.2% for FY-21. • Our Q4-22 product mix has also impacted our Q4-22 and FY-22 Adjusted Gross Profit % as revenues from Xiidra, Simbrinza and Allerject contributed more than 50% of Q4-22 revenues. • The Xiidra, Simbrinza, and Allerject transactions have been structured predominantly based on a varying transfer price. • Transfer price under the Novartis license will decrease over time to compensate the low upfront on signing. It will reduce annually over the term of the agreement and will further decrease as sales increase. • The transfer price for the Kaleo agreement will be reduced over time if Valeo hits commercial milestones.
Sales and Marketing ("S&M") expenses	• Valeo commercializes Branded products requiring S&M support, as well as hospital products such as M-Eslon, which require limited S&M commitments. Staff costs represents the bulk of our S&M expenses, those expenses have increased following the expansion of our commercial team and the creation of our Respiratory/Allergy BU and more recently the addition of the Ophthalmology BU. Going forward we expect S&M expenses as a % of revenues to decrease over time.
	• S&M expenses for Q4-22 were $4.3 million compared to $4.2 million for Q4-21, a nominal 3% increase. • S&M expenses for FY-22 were $15.8 million compared to $8.2 million for FY-21, a 94% increase. • The YoY increase resulted from the expansion of our commercial team to support new branded products. • S&M decreased from 124% of revenues in Q4-21 compared to 34% of revenues in Q4-22 due to addition of new products requiring relatively less S&M as a % of sales. We expect S&M expenses to continue trending downward as a % of revenues as we continue to leverage our commercial structure.

General and Administrative ("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, IR and supply chain personnel.
	• G&A expenses for Q4-22 were $1.6 million compared to $1.9 million for Q4-21, a decrease of 17%. • G&A expenses for FY-22 decreased to $5.0 million compared to $5.4 million for FY-21, a decrease of 6%. • 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"). • G&A decreased from 56% of revenues in Q4-21 compared to 12% of revenues in Q4-22 due to the addition of new products which did not require material changes to our corporate infrastructure. Over time we expect G&A expenses to continue trending downward as a % of revenues.
Medical Affairs and Regulatory ("MA & Reg")	• MA & Reg expenses for Q4-22 were $1.4 million compared to $1.2 million for Q4-21, a nominal 17% increase despite the negative impact of impairment charges for reducing the carrying costs of deferred charges associated with securing marketing approvals of our products. • MA & Reg expenses for FY-22 were $3.9 million compared to $2.1 million for Q4-21.
	• 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")
Share Based Compensation	• SBC expenses represent the costs relating to the issuance of stock options and RSUs to new staff and board members and the vesting of same over time. • SBC expenses were $0.2 million in Q4-22 as compared to $0.4 million for Q4-21 representing a 43% decrease. SBC expenses for FY-22 were stable over FY-21 at $0.9 million compared to $1.0 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") and Total OPEX as % of Revenues	• Total operating expenses stood at $7.6 million in Q4-22 and $25.9 million and FY-22, compared to $7.7 million and $16.8 million in Q4-21 and FY-21. 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 fast as we take full advantage of this operational leverage. • For Q4-22 the ratio of total OPEX to revenues decreased significantly at 60% compared to 104% for the prior Q3-22 quarter and 229% for Q4-21. • We expect the ratio of Total OPEX to revenues to continue declining sequentially over the coming quarters as we continue to leverage our commercial and corporate infrastructure and take full advantage of the market opportunity for our lead products.
Financial, net	• 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 $4.1 million in Q4-22 compared to $0.5 million in Q4-21. • Financial expenses for Q4-22 included the full impact of the $25 million convertible debenture financing completed in Q1-22 as well as the US$30 million term loan financing completed in July 2022. • These 2 transactions also impacted on our FY-22 results. Financial expenses for FY-22 were $7.6 million compared to $1.3 million for FY-21. • The increase between the two reported quarters resulted from increase in the effective interest cost for the various financing transactions. The effective interest costs capture the cost relative to the issuance of warrants as a mean of reducing the actual interest in such instruments. • Financial expenses also included a $1.3 million net F/X loss, mainly resulting from the conversion at YE-22 of the US$ denominated Sagard loan was secured in Q3-22, less F/X gain on cash. We are tracking F/X rates and believe our current exposure is acceptable. We intend to be more proactive in managing our F/X exposure as we approach repayments of capital starting in the last quarter of FY-24.
Unrealized loss (gain) 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 Q4-22 period, the impact of the re-evaluation of the embedded derivative was a $307 gain compared to a loss of $130 in Q4-21. The FY-22 unrealized gain on derivative warrant liability totaled $274 compared to a loss of $140 for FY-21.
Provision for deferred income tax	• During Q4-22, we recorded a $1.2 million provision for tax recovery. The $25 million convertible debt warrants have resulted in the recognition of a deferred income tax recovery.

Net loss for the period	• In Q4-22, despite strong commercial gains and leveraging of our commercial and corporate infrastructure, our net loss was $9.3 million compared to $7.7 million in Q4-21 representing 22% increase. • Our net loss for FY-22 was $25.7 million as compared to $14.2 million for FY-21. • The increase in net loss in Q4-22 was mainly due to the increase in financial expenses, non-recurrent impairment charges and write-offs which have more than offset the significant expansion of our operating profit. • The increase in net loss for FY-22 was due to the increase in financial expenses, and the increase in our commercial and corporate infrastructure which have more than offset the significant expansion of our operating profit.
EBITDA (L)	• 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 (L) in Q4-22 was $7.0 million compared to $6.7 million in Q4-21, a 5% increase. • EBITDA (L) for FY-22 was $19.3 million compared to $12.0 million for FY-21, a 61% increase. • Same as for our net loss analysis, our EBITDA loss for each of Q4-22 and FY-22 reflected the expansion of our commercial and corporate structure over the last 2 years.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Our Adjusted EBITDA(L) in Q4-22 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(L) in Q4-22 was $2.9 million compared to $5.5 million in Q4-21, representing a $2.6 million decrease or 47% improvement. • The main adjustments to our EBITDA include share-based compensation and contract penalty associated with ending of our prior president employment, impairment to the carrying value of certain intangibles, inventory write-off associated to initial commercial lots described earlier, as well a net F/X loss, resulting from the conversion of the US$ denominated Sagard loan. Adjusted EBITDA(L) for FY-22 was $14.5 million compared to $8.6 million for FY-21.

Consolidated Balance Sheet Highlights

			Change	
	YE-22	YE-21	*$[1]*	*%[2]*
Cash	**22,501**	2,043	*20,458*	*1000%*
Trade and other receivables	**5,428**	1,798	*3,630*	*202%*
Inventories	**9,980**	7,675	*2,305*	*30%*
Prepaid expenses and deposits	**2,620**	834	*1,786*	*214%*
Intangible assets	**15,482**	6,539	*8,943*	*137%*
Total assets	**58,265**	21,030	*37,235*	*177%*
Accounts payable and accrued liabilities	**12,458**	10,221	*2,237*	*22%*
Provisions	**1,779**	214	*1,565*	*731%*
Convertible debentures	**743**	-	*743*	*100%*
Non-convertible debentures	**-**	4,854	*(4,854)*	*-100%*
Derivative warrant liability	**308**	-	*308*	*100%*
Total current liabilities	**15,339**	15,334	*5*	*0%*
Convertible debentures	**20,332**	1,605	*18,727*	*1000%*
Derivative warrant liability	**-**	582	*(582)*	*-100%*
Long-term debt	**39,201**	-	*39,201*	*100%*
Defined benefit obligations	**127**	291	*(164)*	*-56%*
Total liabilities	**76,113**	18,977	*57,136*	*301%*
Share capital	**26,359**	24,616	*1,743*	*7%*
Warrants	**2,926**	3,769	*(843)*	*-22%*
Equity component of convertible debenture	**3,114**	300	*2,814*	*938%*
Deficit	**(54,456)**	(28,710)	*(25,746)*	*90%*

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

	YE-22 vs YE-21
Cash	• Our cash balance at the end of FY-22 stood at $22.5 million compared to $2.0 million at YE-21 representing a $20.5 million increase. The increase between the two reported periods included 1) the net impact of the Sagard loan secured in July 2022, 2) the $25 million convertible financing closed in December 2021, less 3) the upfront amounts required to license Xiidra, Simbrinza and Allerject such as licensing fees and inventory purchased on closing as well as 4) the cash required for working capital and operating requirements for FY-22.
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 receivables increased by $3.6 million or 202% between YE-21 and YE-22 which is indicative of the significant commercial progress made between the 2 reported periods, including the sharp increase in our monthly revenues in Q4-22 following the licensing of Xiidra, Simbrinza and Allerject.
Inventories	• 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 $2.3 million between YE-21 and YE-22 due to additional product requirements needed to support the growth of Redesca, Enerzair and Atectura, but also the addition of inventory specific to Xiidra, Simbrinza and Allerject licensed at the end of Q3-22.
Prepaid expenses and deposits	• Prepaids increased by $1.8 million between YE-21 and YE-22 including a $2.0 million prepayment of inventories delivered in the first week of Q1-23.
Intangible assets	• Intangible assets represent investments made in order to build our product pipeline. • Intangible assets are amortized using the straight-line method, over the remaining useful life of the asset (or license) starting when the product is ready for commercialization – typically when Valeo receives marketing approval and its first commercial product lot. • Intangible assets are tested quarterly for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each assets exceeds its book-value. • Our intangible assets have increased by $8.9 million at the end of FY-22 compared to YE-21. The increase was due to the addition of the $10 million license costs to acquire Xiidra and Simbrinza product rights, the $1.5 million license cost to acquire the Allerject product rights, less the amortization of license fees and transaction costs related to these products as well as other products within our commercial portfolio, and less $1.2 million of impairment charges to better reflect the recoverable value of several assets within our portfolio, namely $1.0 million specific to Onstryv. The initial intangible value of Onstryv reflected market opportunities for the product in 2016 when the products rights were acquired. The initial value assumed a broad public reimbursement scenario. While we remain optimistic regarding prospects for some provincial reimbursement and continue our active discussions with pCPA and provincial bodies for enlarging public access for this drug, the product is still not reimbursed. For that reason, we believe the carrying value of this asset had to be reduced from $1.9 million to $1.0 million. The balance will be amortized over the remaining term of the license which expires in 2028.
Total assets	• Total assets increased by $37.2 million between YE-21 and YE-22, as a result of the net impact of the financings and license agreements completed during FY-22, less cash used to support our operations.
Accounts payable and accrued liabilities	• Our accounts payable and accrued liabilities have increased by $2.2 million between YE-21 and YE-22. • The increase in accounts payable and accrued liabilities is due to inventory purchases required to support the growth of our revenues, as well as the increase of operational expenses related to our 3 business units.
Provisions	• Provisions include accruals for price rebate and chargebacks resulting from, co-pay programs, GPO and PLA agreements not yet invoiced. • Provisions required at the end of FY-22 have increased by $1.6 million compared to FY-21 due to the sharp increase of revenues derived from products subject to co-pay programs, GPO and PLA coverage, namely Redesca, and Xiidra, and to a lesser extend our asthma products and Simbrinza.
Current portion of Convertible Debentures	• Convertible debentures issued in February and March 2020 will mature in Q2-23 and now appear as current liabilities. Debentures outstanding as at YE-21 were reduced during FY-22 as $1.0 million debentures plus accrued interest were converted into common shares.
Current portion of Non-Convertible Debentures	• The $4.9 million of non-convertible debentures outstanding as at YE-21 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 non-current)	• 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 current and will be eliminated on expiry.

Total current liabilities	• Our current liabilities are stable between YE-21 and the end of YE-22 as the increase in accounts payable and provisions were offset by the conversion or repayment of the non-convertible debentures.
Convertible debentures (non-current portion)	• During Q1-22, the Corporation completed a $25 million convertible debentures financing. • Balance is presented after 1) netting the $3.3 million allocation of the conversion features of the debenture to our contributed surplus, 2) conversions and or repayments, as well as 3) accretion expense on the debentures.
Long-term 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 YE-22 balance represents the Canadian $ equivalent of the Sagard loan, less the value of the warrants issued as part of the transaction and recorded as equity and the transaction costs. • The YE-22 value of the Sagard Debt includes $2.3 million of foreign exchange variation since the debt was contracted in July 2022.
Defined benefit obligations	• The Defined benefit obligations represents Valeo's obligations towards the pension fund in excess of the pension fund assets. During the FY-22 period such obligations have decreased by 56% following changes to our obligations as compared to our pension fund assets.
Total liabilities	• The $57.1 million increase between YE-21 and YE-22 reflects the US$30 million new debt, the issuance of the $25 million debentures plus the increase in trade payables and provisions (see comments above), as well as the $4.5 million reduction in non-convertible debentures.
Share capital	• The $2 million increase between YE-21 and YE-22 reflected the conversion of convertible debentures 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 ($1.2 million)
Equity component of convertible debenture	• As a result of the December 2021 debenture financing, the convertible feature of the debentures has led to the creation of an equity component which was added to the residual equity component created on issuance of the February 2020 debentures.
Deficit	• Increase reflects the performance of the Corporation during the year – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q4-22	Q3-22	Q2-22	Q1-22	**Q4-21**	Q3-21	Q2-21	Q1-21
Revenues	**12,663**	6,073	4,768	4,241	**3,382**	5,667	2,647	1,861
Cost of Goods Sold	**11,678**	3,845	3,109	2,832	**2,682**	3,506	1,938	1,476
Gross Profit $	**985**	2,228	1,659	1,409	**700**	2,161	709	385
Gross Profit %	***7.8%***	*36.7%*	*34.8%*	*33.2%*	***20.7%***	*38.1%*	*26.8%*	*20.7%*
Adjusted Gross Profit $[1]	***3,640***	*2,451*	*1,788*	*1,526*	***867***	*2,394*	*786*	*448*
Adjusted Gross Profit %[1]	***28.7%***	*40.4%*	*37.5%*	*36.0%*	***25.6%***	*42.2%*	*29.7%*	*24.1%*
Expenses								
Sales and Marketing	**4,314**	4,098	3,539	3,881	**4,183**	2,399	949	646
General and Administrative	**1,568**	1,245	964	1,265	**1,897**	1,707	857	927
Medical Affairs and Regulatory	**951**	680	814	990	**990**	421	247	241
Share Based Compensation	**235**	262	222	222	**409**	173	309	105
Impairment of Intangibles	**493**	-	-	-	**247**	-	-	-
Profit Sharing	**71**	28	32	11	**9**	55	1	-
Total OPEX	**7,632**	6,313	5,571	6,369	**7,735**	4,755	2,363	1,919
Total OPEX as % of revenues	***60%***	*104%*	*117%*	*150%*	***229%***	*84%*	*89%*	*103%*
Operating Loss	**(6,647)**	(4,085)	(3,912)	(4,960)	**(7,035)**	(2,594)	(1,654)	(1,534)
Other expenses								
Financial, net	**4,149**	1,282	1,169	990	**496**	375	213	192
Unrealized loss (gain) on derivative[2]	**(307)**	14	17	2	**130**	10	-	-
Incomes taxes	**(1,174)**	-	-	-	**-**	-	-	-
Net loss for the period	**(9,315)**	(5,381)	(5,098)	(5,952)	**(7,661)**	(2,979)	(1,867)	(1,726)
EBITDA (Loss)[1]	**(7,046)**	(3,910)	(3,634)	(4,725)	**(6,719)**	(2,332)	(1,526)	(1,417)
Adjusted EBITDA (Loss)[1]	**(2,912)**	(3,465)	(3,637)	(4,471)	**(5,520)**	(902)	(1,120)	(1,080)

1. See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures"
2. Unrealized loss (gain) on derivative warrant liability

Notes	Valuable information
Revenues	• Our revenues in Q4-22 were up 109% compared to the prior Q3-22 quarter which is indicative of the continued commercial progress made by Redesca, Enerzair and Atectura, but mostly due to the addition of Xiidra, Simbrinza and Allerject which accounted for more than half of our revenues in Q4-22. • Our Q4-21 revenues were down compared to the prior quarter as the impact of the Q3-21 pipeline fill led to softer sales of Redesca for that quarter. Our Q3-21 revenues were up over Q2-21 due to the strong pipeline fill associated with the launch of Redesca.
Gross Profit $ and %	• Gross Profit fluctuates with revenues and mix of product sold. • Gross Profit in Q4-22 have decreased 56% compared to Q3-22 as result of product write-offs, intangible write-offs and increase amortization charges related to our license agreements. (See "Statement of Loss Statement" analysis). • Gross Profit in Q3-21 reflected the strong pipeline fill associated with the Redesca launch.
Adjusted Gross Profit $ and %	• Adjusted Gross Profit have increased steadily during FY-22 including a sharp increase in Q4-22 which coincided with the revenues from the recently acquired products. Adjusted Gross Profit has increased by 49% in Q4-22 compared to Q3-22, which followed a 37% increase in Q3-22 compared to Q2-22. • Adjusted Gross Profit % had been trending up during FY-22 in line with the improvement of our product mix. The Q4-22 Adjusted Gross Profit % has reduced from 40.4% to 28.7% because of the significant revenue impact of Xiidra, Simbrinza and Allerject which contribution profit are initially lower due to the structure of the agreements. (See "Statement of Loss Statement" analysis)
Sales and Marketing	• Our Q4-22 S&M expenses have been stable over the prior quarter and have decreased as a % of revenues compared to Q3-22. S&M expenses increased in Q3-21 following the creation of our new commercial infrastructure. • Our sales force should be fully operational at the end of Q1-23 and will support the addition of new products. This will facilitate an improvement of our net results following the addition of new branded products.
General and Administrative	• G&A expenses were up 26% in Q4-22 compared to Q3-22. Our Q2-22 G&A expenses were positively impacted by a $0.4 million recovery from the fraud recorded in FY-21. • Similar to S&M expenses, our G&A expenses increased in Q3-21 following the creation of our new commercial infrastructure and expansion of HO activities to support the expansion of our commercial pipeline.

	• G&A expenses for each of Q4-21, and Q3-21 were impacted by a fraud leading to $0.5 million and $0.4 million provisions and expenses net of recovery. • As expected, G&A expenses are trending down as a % of revenues at 12% in Q4-22 compared to 21% in Q3-22.
Medical Affairs and Regulatory	• Medical Affairs and Reg activities have increased 40% in Q4-22 compared to the prior period due to timing of MA and Reg activities, as well as impairment charges on intangible assets described earlier. • 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. Starting Q3-21, 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.
Share Based Compensation	• 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 many options issued to new staff over the recent quarters impacted the SBC expenses for those quarters.
Profit Sharing	• Starting FY-21 the Corporation started accruing and paying amounts under profit-sharing arrangements. Such arrangements are meant to adjust 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 increased 21% as compared to the prior quarter. • 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 60% for Q4-22, compared to 104% in Q3-22, 117% in Q2-22, and 150% in Q1-22 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 benefitted significantly from the addition of the Xiidra, Simbrinza, Allerject revenues in Q4-22.
Financial, net	• 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 224% in Q4-22 compared to Q3-22 due to, interest costs as well as F/X impact resulting from the Sagard debt • Our Financial expenses increased in Q1-22 following the implementation of the $25 million convertible financing. Financial expenses increased in Q4-21 following the closing of our $6.6 million non-convertible financing.
Net loss for the period	• Our Net loss in Q4-22 has increased by 73% as compared to Q3-22 and reflects the increase in financial expenses as well as the YE impairment to our intangible as well as other non-recurrent expenses incurred in Q4-22 for product write-offs. • 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 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 Q4-22 was up 80% compared to the prior quarter. 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.
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 Q4-22 improved 16% compared to Q3-22 and reflected the improvement of our adjusted gross profit, while OPEX less non-recurrent items remained stable. • 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 profit, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

			Change				*Change*	
	Q4-22	**Q4-21**	*$[1]*	*%[2]*	**FY-22**	**FY-21**	*$[1]*	*%[2]*
Operating Activities								
Net loss from operations	**(9,315)**	(7,661)	*(1,654)*	*22%*	**(25,746)**	(14,233)	*(11,513)*	*81%*
Other Items not affecting cash	**5,693**	1,746	*3,947*	*226%*	**8,727**	3,330	*5,397*	*162%*
Changes in non-cash working capital	**(2,490)**	3,395	*(5,885)*	*-173%*	**(11,484)**	(1,412)	*(10,072)*	*713%*
Cash used by operations	**(6,112)**	(2,520)	*(3,592)*	*143%*	**(28,503)**	(12,315)	*(16,188)*	*131%*
Investing activities								
Cash used by investing activities	**(43)**	(1,162)	*1,119*	*-96%*	**(6,891)**	(3,465)	*(3,426)*	*99%*
Financing Activities								
Cash (used) provided by financing activities	**(41)**	(3,242)	*3,201*	*-99%*	**54,991**	15,104	*39,887*	*264%*
Foreign exchange loss (gain) on cash	**975**	(13)	*988*	*-1000%*	**861**	(117)	*978*	*-836%*
Increase (decrease) in cash	**(5,221)**	(6,937)	*1,716*	*-25%*	**20,458**	(793)	*21,251*	*-1000%*
Cash, beginning of the period	**27,722**	8,980	*18,742*	*209%*	**2,043**	2,836	*(793)*	*-28%*
Cash, end of period	**22,501**	2,043	*20,458*	*1000%*	**22,501**	2,043	*20,458*	*1000%*

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
3. See "Balance Sheet" for "Restricted Cash"

	Q4-22 vs Q4-21	**FY-22 vs FY-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 Q4-22 was $6.1 million compared to $2.5 million in Q4-21. The $3.6 million increase came from a $5.9 million decrease in non-cash working capital, a $3.9 million increase in items not affecting cash and a $1.7 million increase in net loss. • The $5.9 million change in non-cash working capital included a significant increase in inventory, receivables, and deposits following the July 2022 transactions as well as provisions.	• Cash used in operations was $28.5 million in FY-22 compared to $12.3 million in FY-21. The $16.2 million increase came from a $11.5 million increase in net loss, and a $10.1 million increase in working capital, offset by a $5.4 million increase in items not affecting cash such as depreciation, amortization, share-based compensation, interest/royalty expenses. • Items not affecting cash was also impacted by $1.3 million increase in inventory write-off as well as $1.6 million of foreign exchange loss. • Non-cash working capital increased due primarily to receivables, inventory, prepaids and provisions on revenues increasing by $3.6 million, $3.8 million, $1.6 million, and $1.6 million respectively, and a decrease of $4 million in payables.
Cash used in investing activities	• Cash used by investing activities during Q4-22 was $0.0 million compared to ($1.2) million in Q4-21. • Cash used by investing activities was $6.9 million in FY-22 compared to $3.5 million in FY-21. • During FY-22, the Corporation paid $6.5 million to acquire commercial rights to Xiidra, Simbrinza ($5 million) and Allerject ($1.5 million). • 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 (used) provided by financing activities	• Financing activities used $41 in Q4-22 compared to $3.2 million in Q4-21. • During Q4-21, the Corporation repaid $3.2 million of non-convertible debentures.	• During FY-22, financing activities provided cash of $55 million compared to $15.1 million for the FY-21 period, representing a $39.9 million increase. • During FY-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 Q4-22, less $3.5 million of financing fees, and $5.1 million representing repayments and conversion of prior existing debentures. • During FY-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 $1.7 million from the conversion of warrants/exercise of options.

Related Party Transactions

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

	Q4-22	Q4-21	**FY-22**	FY-21
Key management salary and benefits	**476**	667	**1,804**	1,289
Directors and employee stock option compensation	**235**	768	**941**	996
Consulting fees paid to a corporation controlled by an officer	**74**	165	**294**	300
Service income	**9**	20	**42**	123

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

As at	**YE-22**	YE-21
Amounts owed to key management, officers and directors		
Consulting fees	**20**	11
Convertible debentures	**486**	231
Accrued interest on convertible debentures	**8**	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	**1,313**	955
Accrued interest on convertible debentures	**15**	24
Non-convertible debentures	**-**	2,041
Accrued interest on non-convertible debentures	**-**	100
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**48**	-

Going Concern

The 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 Audited consolidated financial statements, the Corporation is carrying the costs of its commercial and head office infrastructure, which is aimed at leveraging the commercial potential of its expanding commercial portfolio. Consequently, despite its strong growth and record revenue, Valeo has not yet achieved profitability. During the twelve-month period ended on October 31, 2022, the Corporation incurred a net loss of $25,746 and used cash in operations of $28,503. As at October 31, 2022, the Corporation had a working capital surplus of $25,190. 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.

The 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,	**YE-22**	YE-21	*$*[1]	*%*[2]
Cash	**22,501**	2,043	20,458	1000%
Trade and other receivables	**5,428**	1,798	3,630	202%
Inventories	**9,980**	7,675	2,305	30%
Prepaid expenses and deposits	**2,620**	834	1,786	214%
Accounts payables and accrued liabilities	**12,458**	10,221	2,237	22%
Working Capital	**25,190**	(2,984)	28,174	-944%

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 at the end of Q4-22 stood at $22.5 million as compared to $2 million at the start of the year, representing a $20.5 million increase. Our working capital as at the end of Q4-22 stood at $25.2 million as compared to a ($3.0) million as at YE-21 representing a $28.2 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 as well as 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 Q4-22. (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 Q4-22, we expect the growing contribution of these products to materially impact our revenues and gross profit going forward. Valeo is determined to reach EBITDA profitability in the very near future, by leveraging the commercial potential of its current product portfolio which together exceeds $225+ million of peak sales potential. Leveraging our commercial assets, as well as acquiring additional product rights that can contribute immediately to our results, is of the upmost importance for Valeo's management to reach EBITDA profitability over the coming year.

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 could have 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 October 31, 2022, a 5% increase/decrease in the USD/CAD would have a $1,373 ($114 in 2021) impact on net loss and equity.

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

As at,	**October 31, 2022**		October 31, 2021	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**11,120**	**15,177**	612	759
Trade and other receivables – USD	**14**	**20**	-	-
Accounts payable and accrued liabilities – USD	**1,026**	**1,401**	2,455	3,040
Long-term debt – USD	**30,226**	**41,256**	-	-

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 debt negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

(b) Credit Risk

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

The Corporation sells its products through a small number of wholesalers and retail pharmacy chains. The Corporation has collection terms that vary based on the nature of products sold. Accordingly, when determining the percentage of receivables which are current, the Corporation considers all receivables under 30 days for Valeo Pharma Inc. and all receivables under 90 days for VPI Pharma Inc. As at October 31, 2022, 94% (2021 - 82%) of trade accounts receivables were current. As at October 31, 2022, three customers accounted for 83% (2021 - 84%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at October 31, 2022	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Accounts payable, accrued liabilities, and provisions	**10,964**	**1,779**	**100**	**-**	**12,843**
Lease liability	**16**	**35**	**170**	**2,589**	**2,810**
Convertible debentures, including interest	**-**	**750**	**3,027**	**28,750**	**32,527**
Long-term debt, including interest and exit fees	**1,300**	**-**	**4,380**	**67,799**	**73,479**
	12,280	**2,564**	**7,677**	**99,138**	**121,659**

The Corporation royalty payments (see note 17) 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, accrued liabilities, and provisions	8,369	580	1,006	-	9,955
Lease liability	16	31	125	2,297	2,469
Convertible debentures, including interest	-	-	213	1,879	2,092
Non-convertible debenture, including interest	-	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 October 31, 2022, the Corporation is not subject to any externally imposed capital requirements.

Risk Factors

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

Disclosure Controls and Procedures

The Corporation is committed to providing timely, accurate and balanced disclosure of all material information about the Corporation and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its disclosure controls and procedures ("DC&P") to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Corporation have been detected. Management continues to evolve and enhance its system of controls and procedures. Management, after evaluating the effectiveness of the Corporation's DC&P as at October 31, 2022, have concluded that the Corporation's DC&P are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

Internal Control Over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Corporation has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. For the year ended October 31, 2022, management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Corporation. Based on this evaluation, management concluded that the ICFR were appropriately designed, and no material weaknesses or significant deficiencies were noted, as at October 31, 2022. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our DC&P or ICFR will prevent all errors or all fraud.

Disclosure of Outstanding Share Data.

Valeo's authorized share capital consists of an unlimited number of Common Shares. As at January 27, 2023, Valeo had 82,265,348 Common Shares outstanding. In addition, a total of 43,935,137 additional Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Valeo, and comprised of:

i. 23,571,632 Common Shares issuable upon conversion of the Convertible Debentures;
ii. 14,097,418 Common Shares issuable upon exercise of Warrants;
iii. 633,015 Common Shares issuable upon exercise of RSUs (assuming full vesting);
iv. 395,850 Common Shares issuable upon exercise of DSUs (assuming full vesting); and
v. 5,237,222 Common Shares issuable upon exercise of Options (assuming full vesting).

Consolidated Financial Statements

Valeo Pharma Inc.

October 31, 2022

Independent auditor's report

To the Shareholders of Valeo Pharma Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Valeo Pharma Inc. and its subsidiaries (together, the Corporation) as at October 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at October 31, 2022 and 2021;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets *Refer to note 2 – Summary of Significant Accounting Policies, note 3 – Use of estimates and Judgements and note 9 – Intangible assets to the consolidated financial statements.* The Corporation had $15.5 million of intangible assets as at October 31, 2022 related to submission costs and license fee. Intangible assets are tested for impairment whenever there is an indication that the carrying amount of the asset or the cash generating unit (CGU) to which an asset has been allocated exceeds its recoverable amount. In addition, intangible assets with an indefinite life are tested for impairment annually. An impairment is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Management makes significant judgements in determining the recoverable amounts of the Corporation's intangible assets.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts of the intangible assets for which there were impairment indicators which included the following: - Evaluated the appropriateness of the method applied and the discounted cash flow models. - Tested the underlying data used in the discounted cash flow models and tested the mathematical accuracy thereof. - Tested the reasonableness of significant assumptions related to the market growth rates and market shares by considering external industry and market data. - Performed sensitivity analysis to assess the possible impact of changes to the market share assumptions used by management. Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discount rate used by management.

Key audit matter	How our audit addressed the key audit matter
In the current year, management identified indicators of impairment for certain assets. Management determined the recoverable amounts of its intangible assets for which there were impairment indicators using the fair value less cost to sell method with discounted cash flow models. Management determined that there are significant assumptions related to market growth rates, market shares and discount rate. Management recognized an impairment charge of $1.2 million for the Corporation's intangible assets during 2022. We considered this a key audit matter due to the significant judgement by management in developing assumptions to determine the recoverable amounts of the intangible assets for which there was an impairment indicator. This in turn resulted in significant audit effort and subjectivity in performing procedures to test the recoverable amounts determined by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Other information

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/PricewaterhouseCoopers LLP[1]

Québec, Quebec
January 27, 2023

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

Valeo Pharma Inc.

Consolidated Statements of Financial Position

(All in thousands of Canadian dollars)

As at October 31,	*Notes*	**2022**	2021
ASSETS			
Current			
Cash		**22,501**	2,043
Trade and other receivables	*4*	**5,428**	1,798
Inventories	*5*	**9,980**	7,675
Prepaid expenses and deposits	*6*	**2,620**	834
Total current assets		**40,529**	12,350
Property and equipment	*7*	**1,373**	1,174
Right of use asset	*8*	**881**	967
Intangible assets	*9*	**15,482**	6,539
Total assets		**58,265**	21,030
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*11*	**12,458**	10,221
Provisions	*12*	**1,779**	214
Lease liability	*13*	**51**	45
Convertible debentures	*14*	**743**	-
Non-convertible debentures	*15*	**-**	4,854
Derivative warrant liability	*16*	**308**	-
Total current liabilities		**15,339**	15,334
Lease liability	*13*	**1,114**	1,165
Convertible debentures	*14*	**20,332**	1,605
Derivative warrant liability	*16*	**-**	582
Long-term debt	*17*	**39,201**	-
Defined benefit obligations	*19*	**127**	291
Total liabilities		**76,113**	18,977
SHAREHOLDERS' EQUITY			
Share capital	*20*	**26,359**	24,616
Warrants	*20*	**2,926**	3,769
Contributed surplus		**4,410**	2,397
Equity component of convertible debenture		**3,114**	300
Accumulated other comprehensive loss		**(201)**	(319)
Deficit		**(54,456)**	(28,710)
Total shareholders' equity (deficit)		**(17,848)**	2,053
Total liabilities and shareholders' equity		**58,265**	21,030

Going concern (note 1); Related Party Transactions (note 29); Commitments (note 32)

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

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

Valeo Pharma Inc.

Consolidated Statements of Loss and Comprehensive Loss

(All amounts in thousands of Canadian dollars, except for share and per share amounts)
For the years ended October 31, 2022 and 2021

	Notes	**2022**	2021
Revenues		**27,745**	13,557
Cost of goods sold	*23*	**21,464**	9,602
Gross Profit		**6,281**	3,955
Expenses			
Sales and marketing	*24*	**15,832**	8,177
General and administrative	*25*	**5,042**	5,388
Medical affairs and regulatory	*26*	**3,928**	2,146
Share based compensation	*20*	**941**	996
Profit sharing		**142**	65
Total operating expenses		**25,885**	16,772
Operating loss		**(19,604)**	(12,817)
Other expenses			
Financial, net	*27*	**7,590**	1,276
Unrealized loss (gain) on derivative warrant liability	*16*	**(274)**	140
Net loss before income taxes		**(26,920)**	(14,233)
Provision for income taxes			
Deferred	*18*	**1,174**	-
Net loss for the year		**(25,746)**	(14,233)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**(13)**	10
Defined benefit plan, net actuarial gain		**131**	93
Total comprehensive loss for the year		**(25,628)**	(14,130)
Loss per share:			
Basic and diluted	*21*	**(0.32)**	(0.20)
Weighted average number of shares outstanding		**80,858,528**	69,930,380

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

Valeo Pharma Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(All amounts in thousands of Canadian dollars)

For the years ended October 31, 2022 and 2021

	Notes	Share Capital	Warrants	Contributed surplus	Equity component convertible debenture	Accumulated Other Comprehensive Loss		Deficit	Total
						Defined benefit plan	Foreign exchange translation		
Balance as at October 31, 2020		15,024	1,333	1,311	300	(387)	(35)	(14,477)	3,069
Net loss		-	-	-	-	-	-	(14,233)	(14,233)
Other comprehensive income		-	-	-	-	93	10	-	103
Share based compensation		-	-	996	-	-	-	-	996
Stock options exercised		150	-	(51)	-	-	-	-	99
Equity instruments issued to consultants		51	-	64	-	-	-	-	115
Compensation options issued		(129)	(41)	170	-	-	-	-	-
Compensation options exercised		226	32	(83)	-	-	-	-	175
Compensation options expired		8	2	(10)	-	-	-	-	-
Warrants issued		-	89	-	-	-	-	-	89
Warrants exercised		1,632	(190)	-	-	-	-	-	1,442
Issuance of units		8,673	2,827	-	-	-	-	-	11,500
Issue costs		(1,019)	(283)	-	-	-	-	-	(1,302)
Balance as at October 31, 2021		**24,616**	**3,769**	**2,397**	**300**	**(294)**	**(25)**	**(28,710)**	**2,053**
Net loss		-	-	-	-	-	-	(25,746)	**(25,746)**
Other comprehensive income (loss)		-	-	-	-	131	(13)	-	**118**
Share based compensation	*20 b, c*	-	-	941	-	-	-	-	**941**
Stock options exercised	*20 a*	168	-	(65)	-	-	-	-	**103**
Equity instruments issued to consultants		34	-	-	-	-	-	-	**34**
Compensation units expired	*20 a*	93	9	(102)	-	-	-	-	**-**
Equity component of convertible debentures issued	*14 a*	-	-	-	3,257	-	-	-	**3,257**
Convertible debentures converted	*14 b*	1,121	-	-	(175)	-	-	-	**946**
Warrants issued	*20 d*	-	447	-	-	-	-	-	**447**
Warrants exercised	*20 d*	327	(36)	-	-	-	-	-	**291**
Warrants expired	*20 d*	-	(1,239)	1,239	-	-	-	-	**-**
Issue costs		-	(24)	-	(268)	-	-	-	**(292)**
Balance as at October 31, 2022		**26,359**	**2,926**	**4,410**	**3,114**	**(163)**	**(38)**	**(54,456)**	**(17,848)**

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

Valeo Pharma Inc.

Consolidated Statements of Cash Flow

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

	Notes	**2022**	2021
OPERATING ACTIVITIES:			
Net loss from operations		**(25,746)**	(14,233)
Adjustments:			
Depreciation and amortization	*7,8,9*	**1,418**	743
Impairment of intangible assets	*9*	**1,223**	247
Share based compensation	*20 b, c*	**941**	996
Interest expense	*22,27*	**3,347**	856
Interest in the form of royalty	*17,27*	**164**	-
Deferred income taxes	*18*	**(1,174)**	-
Consulting fees paid by issuance of equity instruments		**34**	204
Defined benefit pension plan expense		**(33)**	(31)
Unrealized loss (gain) on foreign exchange		**1,573**	(13)
Unrealized loss (gain) on derivative warrant liability		**(274)**	140
Write down of inventories	*23*	**1,508**	188
Net change in non-cash operating working capital	*22*	**(11,484)**	(1,412)
Cash used by operating activities		**(28,503)**	(12,315)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(359)**	(902)
Acquisition of intangible assets		**(6,532)**	(2,563)
Cash used by investing activities		**(6,891)**	(3,465)
FINANCING ACTIVITIES:			
Principal repayment of lease liabilities		**(188)**	(114)
Increase of lease liability		**-**	185
Increase in convertible debentures	*14*	**21,335**	-
Financing proceeds	*17*	**38,472**	-
Addition of non-convertible debentures and derivative warrant liability		**-**	6,645
Repayment of non-convertible debentures	*15*	**(1,480)**	(3,200)
Financing fees	*14,17*	**(3,542)**	(1,630)
Issuance of units		**-**	11,500
Warrants exercised	*20 d*	**291**	1,442
Stock options exercised	*20 b*	**103**	99
Compensation options exercised		**-**	177
Cash provided by financing activities		**54,991**	15,104
Foreign exchange gain (loss) on cash		**861**	(117)
Increase (decrease) in cash		**20,458**	(793)
Cash, beginning of year		**2,043**	2,836
Cash, end of year		**22,501**	2,043

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

Valeo Pharma Inc. ("Valeo" or the "Corporation") is a specialty pharmaceutical company that acquires or in-licenses branded pharmaceuticals 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. Valeo's shares and debentures are traded on the Toronto Stock Exchange (TSX) under the symbol VPH 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 consolidated financial statements of the Corporation have been prepared for the year ended October 31, 2022 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and were approved and authorized for issuance by the Corporation's Board of Directors on January 27, 2023.

Going Concern

These consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the fiscal year ended October 31, 2022, the Corporation incurred a net loss of $25,746 and used cash in operations of $28,503. As at October 31, 2022, the Corporation had a working capital surplus of $25,190. 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 or on generating future profitable operations. Management anticipates that the generation of additional revenues out of its existing products and the commercialization of new products will enable the Corporation to achieve profitability. There is no assurance that any of these initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing or on the generation of additional revenues.

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

2. Summary of Significant Accounting Policies

Basis of consolidation

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

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

Basis of measurement

These consolidated financial statements have been prepared on a going-concern basis, under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value including the derivative warrant liability.

Functional and Presentation Currency

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

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

Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

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

Future Accounting Standard Changes

Amendments to IAS 1: non-current liabilities with covenants

In January 2020, the IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. On October 2022 the IASB issued amendments 'Non-current liabilities with covenants' to IAS 1, 'Presentation of financial statements'. These amendments were in response to concerns raised on applying previous amendments to the classification of liabilities as current or non-current that would have become effective for reporting periods beginning on or after 2023. As a result of aligning the effective dates, the 2022 amendments will replace the requirements of the 2020 amendments when they both become effective in 2024. Earlier application is permitted but if an entity early applies the 2020 amendments after the issue of the 2022 amendments, it is required to apply both these amendments at the same time. The Corporation is currently evaluating the impact of this amendment on its consolidated financial statements.

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

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

Revenue Recognition

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

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

Cash and cash equivalents

The Corporation considers all investments with maturities of three months or less from the acquisition date, that are highly liquid and readily convertible into cash, to be cash equivalents. Cash bears interest at a variable interest rate. As at October 31, 2022 and 2021, the Corporation does not hold cash equivalents.

Inventories

Inventories, composed mainly of finished goods, are stated at the lower of cost and net realizable value in accordance with IAS 2, Inventories. Inventories cost is determined using the "First-In, First-Out" method, in other words, the first products the Corporation acquires are the first products it sells. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs. The Corporation determines its provision for obsolete inventories based on the quantities on hand at the expiry dates, compared to foreseeable needs over the upcoming periods.

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

Property and Equipment

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

	Method	
Assets	***Diminishing balance***	***Straight-line***
Computer equipment	30%	-
Equipment and furniture	20%	-
Leasehold improvements	-	Over the lease term

Leases

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

As a lessee, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Corporation also assesses the right-of-use asset for impairment when such indicators exist.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Corporation's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

Intangible Assets

Product rights acquired by way of licenses are recorded at cost less accumulated amortization and any accumulated impairment charges. Product rights are amortized over the terms of their respective licenses being up to 10 years.

Expenditures incurred for securing marketing approval (rights) including preparing and filing a regulatory submission for a product are also capitalized when the criteria for recognizing an asset are met, usually when approval is considered highly probable, i.e. that approval of a marketing authorization from the Canadian or United States health authorities will be granted. Marketing rights will be amortized over the estimated life of the product once commercialization has occurred.

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

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

Impairment of Non-Financial Assets

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

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

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

Income Taxes

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

Current Tax

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

Deferred Tax

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

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

Sales Tax

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

Provisions

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

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

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

Financial Instruments

All financial instruments, including derivatives, are included in the statement of financial position and are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications. Amortized cost financial assets are initially measured at fair value and amortized using the effective interest method. Fair value through profit or loss ("FVTPL") assets are measured at fair value and subsequent changes are recognized in current period net income. Fair value through OCI ("FVTOCI") financial assets are measured at fair value with subsequent gains or losses included in OCI until the asset is removed from the statements of financial position.

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

	Measurement
Financial asset:	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Convertible debentures	Amortized cost
Non-convertible debentures	Amortized cost
Long-term debt	Amortized cost
Derivative warrant liability	FVTPL

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

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

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

Share based compensation

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

Restricted Stock Units

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

Warrants

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

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

Derivative warrant liability

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

Employee Benefits

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

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

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

Earnings per Share

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

3. Use of Estimates and Judgements

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

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

Intangible assets

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

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

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

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

Defined benefit plan

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

Revenue recognition

Revenue from the sale of merchandise is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by product returns, price adjustments, charge backs and cash discounts. Accruals are made at the time of sale for the estimated discounts, credits, allowances and product returns, based on historical experience, industry average, relevant statutes with respect to government pricing programs, and contractual sales terms.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change. The level of accrual is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Corporation.

Principal vs agent

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

4. Trade and Other Receivables

As at	**October 31, 2022**	October 31, 2021
Trade and other receivables	**5,225**	1,474
Sales taxes receivables	**203**	324
	5,428	1,798

5. Inventories

As at	**October 31, 2022**	October 31, 2021
Finished goods	**9,980**	7,407
Raw material	**-**	268
	9,980	7,675

6. Prepaids expenses and deposits

As at	**October 31, 2022**	October 31, 2021
Vendor deposits	**2,012**	-
Other prepaid expenses and deposits	**608**	834
	2,620	834

7. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Total**
Cost as at October 31, 2021	906	339	491	1,736
Additions	44	303	12	359
Cost as at October 31, 2022	**950**	**642**	**503**	**2,095**
Accumulated depreciation as at October 31, 2021	145	267	150	562
Depreciation	74	27	59	160
Accumulated depreciation as at October 31, 2022	**219**	**294**	**209**	**722**
Net carrying value as at October 31, 2022	**731**	**348**	**294**	**1,373**

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Total**
Cost as at October 31, 2020	306	293	235	834
Additions	600	46	256	902
Cost as at October 31, 2021	906	339	491	1,736
Accumulated depreciation as at October 31, 2020	128	248	131	507
Depreciation	17	19	19	55
Accumulated depreciation as at October 31, 2021	145	267	150	562
Net carrying value as at October 31, 2021	761	72	341	1,174

8. Right of Use Asset

	Cost	**Depreciation**	**Carrying value**
Balance as at October 31, 2021	1,003	(36)	967
Additions	-	(86)	(86)
Balance as at October 31, 2022	**1,003**	**(122)**	**881**

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

9. Intangible Assets

	Submission costs	License fee	Total
Balance as at October 31, 2021	2,810	3,729	6,539
Additions	32	11,500	11,532
Dispositions	(194)	-	(194)
Amortization	(285)	(887)	(1,172)
Impairment	(494)	(729)	(1,223)
Balance as at October 31, 2022	**1,869**	**13,613**	**15,482**

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

On July 29, 2022, the Corporation entered into a licensing agreement with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian rights to Xiidra® and Simbrinza®, two innovative ophthalmic products. The Corporation incurred an upfront license fee of $10,000 to Novartis. At the same date, the Corporation entered into a Licensing agreement with Kaléo, inc. for the Canadian rights to Allerject®, an epinephrine auto-injector for the treatment of serious allergic reactions. The Corporation paid an upfront license fee of $1,500 to Kaléo. Amortization of the licensing fees for each product is recognized after the commencement of commercial activities, charged to cost of goods sold and began in the fourth quarter of fiscal year 2022.

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

The recoverable amount of intangible assets with indefinite life, amounting to nil in 2022 (2021 – nil), of intangible assets not yet available for use, amounting to nil in 2022 (2021 - $198), and of intangible assets for which there are indication of impairment, is determined using the fair value less cost to sell method with a discounted cash flow model. This ensures that the carrying amount which appears on the financial statements can be recovered using realistic assumptions as to the net present value of the commercial benefits to be derived from such assets over a 10-year period using a discount rate of 20%. Such determination is based by assessing market dynamics for each product, including significant assumptions around market growth rates, market shares and discount rate. Regulatory risk is also analyzed to ensure that there is strong evidence that the respective intangible assets will derive the expected commercial benefits. The fair value of the intangible assets was determined using level 3 assumptions. For the year ended October 31, 2022, following changes in the market environment and regulatory requirements, the Corporation determined a recoverable amount of $982 related to three products and recognized impairment charge of $1,223 (2021 - $247).

10. Operating Loan

On July 29, 2022, the Corporation terminated its revolving demand credit facility with its commercial bank.

As at October 31, 2021, the operating loan was unused, and the Corporation had a $2,200 letter of guarantee issued in favour of one of its licensors to cover any financial obligations under its Supply Agreement. The letter of guarantee was cancelled on July 27, 2022, and no longer required by the licensor.

11. Accounts Payable and Accrued Liabilities

As at	**October 31, 2022**	October 31, 2021
Trade accounts payable	**3,737**	7,320
License fee payable	**5,000**	-
Other accounts payable and accrued liabilities	**2,206**	2,535
Accrued interest	**1,394**	266
Payables to related parties	**121**	100
	12,458	10,221

12. Provisions

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

	Chargebacks and rebates	**Returns**	**Total**
Balance as at October 31, 2021	**214**	-	214
Charges	**1,829**	-	1,829
Utilization and reversal	**(264)**	-	(264)
Balance as at October 31, 2022	**1,779**	**-**	**1,779**

	Chargebacks and rebates	**Returns**	**Total**
Balance as at October 31, 2020	-	103	103
Charges	258	53	311
Utilization and reversal	(44)	(156)	(200)
Balance as at October 31, 2021	214	-	214

13. Lease Liability

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

	Year ended October 31, 2022	Year ended October 31, 2021
Opening balance	**1,210**	295
Lease modification	**-**	949
Interest expense	**143**	80
Lease payments	**(188)**	(114)
Balance as at October 31, 2022	**1,165**	1,210
Which consists of		
Current lease liability	**51**	45
Non-current lease liability	**1,114**	1,165

14. Convertible debentures

	Notes	Year ended October 31, 2022	Year ended October 31, 2021
Opening balance		**1,605**	1,504
Additions	*14 a*	**25,000**	-
Fair value of conversion option allocated to equity	*14 a*	**(4,431)**	-
Transaction costs	*14 a*	**(1,243)**	-
Transaction costs amortization		**278**	9
Accretion expense	*14 c,d*	**810**	92
Conversion into shares	*14 b*	**(944)**	-
Balance as at end of year		**21,075**	1,605
Which consists of			
Current convertible debentures		**743**	-
Non-current convertible debentures		**20,332**	1,605

a. During the first quarter of fiscal year 2022, the Corporation closed a $15.0 million bought deal private placement (the "Offering") convertible unsecured debentures (the "Debentures") due December 31, 2024 (the "Maturity Date") at a price of $1,000 (the "Offering Price") per Debenture. The Corporation also closed a concurrent $10.0 million private placement of convertible unsecured debentures issued on the same terms as those issuable pursuant to the Offering (the "Concurrent Private Placement"), resulting in gross proceeds from the Offering and Concurrent Private Placement of $25.0 million. The Corporation issued a total of 25,000 Debentures accruing interest at the rate of 12% per annum payable quarterly beginning on March 31, 2022. At the holders' option, the Debentures may be converted into common shares of the Corporation at any time and from time to time, up to the Maturity Date, at a conversion price of $1.15 per common share. The Corporation valued the liability component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the conversion option. On initial recognition, the liability component was $20,569, and the equity component (conversion options) was $4,431. Transaction costs of $1,243 were netted against the liability component and will be amortized using the effective interest method over the term of the debenture. A further $268 in transaction costs, related to the equity component of the derivative liability, was recorded as issue costs in the statement of changes in shareholder's equity (deficit).

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 year ended October 31, 2022, all convertible debentures accrued interest of $3,618 included in financial expense on the statement of loss. This amount includes an accretion expense of $810. A total of $258 is included in accrued interest on the statement of financial position.

d. During the year ended October 31, 2021, all convertible debentures accrued interest of $303 included in financial expense on the statement of loss. This amount includes an accretion expense of $92. A total of $40 is included in accrued interest on the statement of financial position.

15. Non-convertible debentures

	Notes	Year ended October 31, 2022	Year ended October 31, 2021
Opening balance		**4,854**	1,463
Additions		**-**	6,645
Repayments	*15 a*	**(5,145)**	(3,200)
Derivative warrant liability		**-**	(442)
Transaction costs		**27**	(124)
Accretion expense	*15 b,c*	**264**	512
Balance as at end of year		**-**	4,854

15. Non-convertible debentures – *cont'd*

a. Non-convertible debentures issued in April 2021 representing $585 were repaid in December 2021. Non-convertible debentures issued in April 2021 representing $2,860 were repaid with new convertible debentures in December 2021. Non-convertible debentures issued in July 2020 representing $805 were repaid with new convertible debentures in December 2021. Non-convertible debentures issued in July 2020 representing $557 were repaid in April 2022 and $338 were repaid in May 2022.

b. During the year ended October 31, 2022, the non-convertible debentures accrued interest of $326 included in financial expense on the statement of loss. This amount includes an accretion expense of $264.

c. During the year ended October 31, 2021, the Corporation issued unsecured non-convertible debentures and 1,336,700 warrants for total proceeds of $6,645. As a result of this transaction, $442 was allocated to derivative warrant liability on the statement of financial position. The non-convertible debentures bear interest at 8% per annum and matured on January 26, 2022. The warrants mature on April 26, 2023 and had an initial exercise price of $1.60 which is subject to adjustments. Accretion expense included in financing expense on the statement of loss, attributable to the non-convertible debentures for the year ended October 31, 2021 was $374. In addition, the non-convertible debentures accrued interest of $872, included in financing expense on the statement of loss. This amount includes an accretion expense of $512. A total of $293 is included as accrued interest on the statement of financial position.

16. Derivative warrant liability

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	-	(274)
Balance at October 31, 2022	**1,336,700**	**308**
Classified as current liability	1,336,700	308
Classified as long-term liability	-	-

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

Number of Warrants	Issue date	Expiry date	Exercise price	Fair value of warrants	Remaining contractual life in years
1,336,700	April 26, 2021	April 26, 2023	1.25	0.23	0.48

The derivative warrant liability was initially valued using the Black Scholes option pricing model with a risk-free rate of 0.33%; a volatility of 62.20%; an expected life of 2 years; an exercise price of $1.60 with a nil expected dividend and forfeiture rate. On June 29, 2021, the Corporation announced that it closed a bought deal public offering and issued share purchase warrants at the price of $1.25 per Share. Consequently, the Corporation amended the exercise price of the warrants from $1.60 per Share to $1.25. The October 31, 2022 year-end valuation was performed using a Black-Scholes option pricing model with a risk-free rate of 4.04%; a volatility of 64.01%; an expected life of 0.48 year; an exercise price of $1.25 with a nil expected dividend and forfeiture rate.

17. Long-term debt

	Notes	Year ended October 31, 2022	Year ended October 31, 2021
Opening balance		-	-
Additions from total financing proceeds	*17 a, b*	**38,472**	-
Fair value of warrants allocated to equity	*17 b*	**(447)**	
Transaction costs	*17 b*	**(2,007)**	-
Transaction costs amortization		**78**	-
Accretion expense	*17 c*	**618**	-
Interest in the form of royalty		**164**	
Foreign exchange difference		**2,323**	
Balance as at end of year		**39,201**	-

a. On July 29th 2022 ("Closing Date"), the Corporation entered into a US$40.0 million ($51.3 million) senior secured term loan facility (the "Facility") with Sagard Healthcare Partners (the "Lender"). An initial tranche of US$30.0 million ($38.5 million) (the "Loan") was disbursed on closing, with a remaining US$10.0 million made available for future product rights acquisition. The Loan maturity is 5 years. The Corporation has the contractual obligation to principal reimbursements in the amounts of $1.71 million (US$1.25 million) per quarter in Year 3, $3.41 million (US$2.5 million) per quarter in Year 4 and $5.12 million (US$3.75 million) per quarter in Year 5 (all amounts using the exchange rate as at October 31, 2022). The Loan is accruing interest at the 90-day SOFR rate + 8.05% per annum payable quarterly in arrears, and subject to a SOFR floor rate of 1.5%. Exit fees of 4.25% are added to principal reimbursements. The Loan entitles the Lender to quarterly royalty payments representing 1.5% of the Corporation's Net Sales. Net Sales are defined as products commercialized by Valeo except for M-Eslon plus any products acquired using the proceeds of the Facility. Royalties are classified within Financial expenses in the statement of loss. Royalties are payable up to 7 years from Closing Date. The total return of all advances under the Facility less 3% origination fees is subject to a cap of 185%. The total return is calculated as the sum of loan advances (net of origination fees), 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 Lender. Warrants expire 5 years from Closing Date. No acceleration clause is applicable. The warrants fair value was determined by assigning the residual of the long-term debt fair value and the net proceeds. The Loan will be presented in CAD using the quarter-end exchange rate. The Corporation must comply with certain financial covenants, including a total leverage ratio, a fixed charge coverage ratio, a minimum liquidity ratio and a minimum cash balance of US$5.0 million at all times.

b. On initial recognition, the total financing proceeds was $38,472 and the fair value of warrants allocated to equity was $447. Transaction costs of $2,007 were netted against the liability component and will be amortized using the effective interest method over the term of the Loan. A further $24 in transaction costs, was allocated to warrants issue costs.

c. Since Closing Date, the Loan accrued interest of $1,754 included in financial expense on the statement of loss. This amount includes an accretion expense of $618.

18. Income Taxes

Details of the components of income taxes are as follows:

	2022	2021
Loss before income taxes	**(26,920)**	(14,233)
Basic income tax rate	**26.5%**	26.5%
Computed income tax recovery	**(7,134)**	(3,772)
Decrease (increase) resulting from:		
Permanent differences	**244**	161
Effect of rate change and other	**(18)**	(2)
Change in deferred tax assets not recognized	**5,734**	3,613
Provision for income taxes	**(1,174)**	-
Effective tax rate	**4.36%**	0.0%

18. Income Taxes – *cont'd*

Deferred Taxes

	2022	2021
Net deferred tax assets and liabilities		
Donations carried forward	**11**	11
Non-capital losses carried forward	**14,160**	7,345
Loan provision	**20**	20
Employee benefit plan	**34**	77
Property, equipment, and intangible assets	**(727)**	(838)
Less: unrecognized tax benefits	**(12,324)**	(6,615)
Total	**1,174**	-

Accumulated non-capital losses

The Corporation has accumulated non-capital losses of $53,288 for income tax purposes in Canada and USD $60 for income tax purposes in the United States, which are available to be applied against future taxable income and expire as follows:

	CDN	**US**
2029	-	2
2030	-	11
2031	-	42
2032	-	3
2034	3	-
2035	20	1
2036	1,193	1
2037	2,726	-
2038	4,183	-
2039	5,523	-
2040	13,825	-
2041	25,815	-

19. Employee Benefit Plan

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

The defined benefit plan no longer accrues obligations for the current service cost of employee future benefits as of June 30, 2005. The significant assumptions utilized in the valuation process remain consistent with those used in prior valuations, except for significant assumptions presented below. The most recent actuarial valuation of the defined benefit plan as of December 31, 2021 has established the actuarial deficit to be $309, with such amount having to be funded over the next 11 years. The required contribution in calendar 2021 was $41 and the required contribution is $41 in calendar 2022 which may change depending on the results of the next valuation. The next actuarial valuation will be performed as of December 31, 2022 and submitted to the government authorities by the September 30, 2023 deadline. An accounting valuation is prepared by the plan actuary at each quarter end and as at October 31st of each year.

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

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

The following table presents the changes in benefit obligations and fair value of plan assets in 2022 and 2021 and reconciles the funded status to accrued pension assets as at October 31, 2022 and 2021.

19. Employee Benefit Plan - *cont'd*

	2022	2021
Changes in Pension Liability		
Obligation, beginning of year	**1,975**	2,621
Fair value of insurance policy	**(148)**	(390)
Interest cost	**70**	67
Actuarial gain	**(229)**	(256)
Benefits paid	**(131)**	(67)
Pension Liability, end of year	**1,537**	1,975
Changes in Fair Value of Plan Assets		
Fair value of plan assets, beginning of year	**1,684**	2,205
Fair value of insurance policy	**(148)**	(390)
Employer contributions	**41**	41
Actual return on plan assets	**(36)**	(105)
Benefit payments	**(131)**	(67)
Fair Value of Plan Assets, end of year	**1,410**	1,684

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

	2022	2021
Funded status – deficit		
Present value of benefit obligation	**(1,537)**	(1,975)
Fair value of plan assets	**1,410**	1,684
Funded status – deficit	**(127)**	(291)

	2022	2021
Experience adjusted gain (loss) arising on:		
Plan assets	**(636)**	(162)
Plan liabilities	**767**	256

The interest cost in 2022 was 70$ ($67 for 2021) and the expected return on plan assets in 2022 was 62$ ($57 for 2021).

The significant assumptions used are as follows:

	2022	2021
Defined benefit obligations as of October 31		
Discount rate	**5.30%**	3.05%
Rate of compensation increase	**3.10%**	3.00%
Benefit costs for years ended October 31		
Discount rate	**5.30%**	3.05%
Rate of pension increase	**2.20%**	2.10%

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

	2022	2021
Asset Category, as at October 31		
Insurance policy	**40%**	53%
Equity securities	**29%**	23%
Debt securities – Listed	**31%**	24%
Total	**100%**	100%

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

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 31, 2022 and has some limitations. The sensitivities of each key assumption have been calculated without considering the changing of any other assumption. Actual results could therefore result in changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

(Increase) decrease	Defined benefit obligations
Impact of 1% increase in discount rate	132
Impact of 1% decrease in discount rate	(153)

20. 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
Shares issued pursuant to a unit offering		11,500,000	8,673
Unit issue costs		-	(1,140)
Stock options exercised		440,810	150
Compensation options exercised		355,030	226
Warrants exercised		2,403,375	1,632
Shares issued as compensation		45,600	51
Balance as at October 31, 2021		**78,800,174**	**24,616**
Stock options exercised	*20 b*	256,250	168
Conversion of debentures	*14 b*	2,603,419	1,121
Compensation options expired	*20 e*	-	93
Warrants exercised	*20 d*	485,000	327
Shares issued as compensation		45,505	34
Balance as at October 31, 2022		**82,190,348**	**26,359**

For the year ended October 31, 2021:

On June 29, 2021, the Corporation closed a bought deal offering of 11,500,000 units at $1.00 per unit ("Unit") for aggregate gross proceeds of $11.5 million (the "Offering"). Each "Unit" consists of one common share ("Share") of the Corporation and one Share purchase warrant ("Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Corporation at a price of $1.25 for a period of 36 months after the closing of the Offering. As a result of this transaction, $2,827 was allocated to Unit Warrants on the statement of financial position as the Corporation has adopted a relative fair value method with respect to the measurement of its Warrants. The relative fair value method allocates the consideration received to the instruments based on their weighted average fair value. Transaction costs of $1,149 were incurred in connection with the transaction, of which $866 was allocated to unit issue costs with the balance relating to warrants. Moreover, the Corporation issued 770,000 broker's compensation options, the fair value of which was determined to be $170 using a Monte-Carlo model. Broker's compensation options entitle the holder to purchase one Unit, as described above, for a period of 18 months from the closing date of the Offering. No transaction costs were incurred in connection with the broker compensation options issuance.

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

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

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) at any point in time.

Changes in outstanding options were as follows:

	Year ended October 31, 2022		Year ended October 31, 2021	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of year	**6,544,722**	**$0.84**	4,275,532	$0.47
Granted	**1,592,500**	**$0.66**	2,940,000	$1.28
Forfeited	**(165,000)**	**$0.76**	(50,000)	$0.58
Cancelled/expired	**(428,750)**	**$0.88**	(180,000)	$0.66
Exercised	**(256,250)**	**$0.40**	(440,810)	$0.22
Options outstanding, end of year	**7,287,222**	**$0.82**	6,544,722	$0.84
Options exercisable, end of year	**3,973,056**	**$0.65**	3,870,000	$0.57

769,308 options were vested during the year ended October 31, 2022 (2021 – 1,641,390).

The following options were granted during the respective years:

For the year ended October 31, 2022

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
822,500	i	April 27, 2022	April 27, 2029	$0.66	$0.30
120,000	ii	June 13, 2022	June 13, 2029	$0.66	$0.42
150,000	ii	September 13, 2022	September 13, 2029	$0.66	$0.43
500,000	iii	September 13, 2022	September 13, 2029	$0.66	$0.43
1,592,500					

i) Vests over 2 years 50% on each anniversary of the grant date
ii) Vests over 3 years 33.33% on each anniversary of the grant date
iii) Vests over 4 years 25% on each anniversary of the grant date

For the year ended October 31, 2021

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
10,000	i	November 11, 2020	November 11, 2027	$0.86	$0.47
250,000	ii	November 11, 2020	February 11, 2022	$1.10	$0.26
1,950,000	iii	January 18, 2021	January 18, 2028	$1.43	$0.87
25,000	iv	January 27, 2021	January 27, 2028	$1.10	$0.26
50,000	v	May 25, 2021	January 18, 2028	$1.12	$0.66
305,000	i	May 25, 2021	May 25, 2028	$1.12	$0.67
120,000	i	August 12, 2021	August 12, 2028	$0.79	$0.47
80,000	i	September 1, 2021	September 1, 2028	$0.71	$0.42
150,000	i	October 1, 2021	October 1, 2028	$0.77	$0.46
2,940,000					

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

i) 33.33% vested on each anniversary of the grant date
ii) 100% vested on grant date
iii) 200,000 vested every 6 months with the final tranche of 150,000 on January 18, 2026
iv) 50% vested on grant date and 50% on September 1, 2021
v) 10% vested every 6 months

The remaining contractual life for the share options outstanding as at October 31, 2022 are:

Number	Note	Exercisable	Fair Value	Exercise price	Remaining contractual life in years
1,797,222		1,797,222	$0.10 - $0.40	$0.40	1.30 – 3.05
225,000		225,000	$0.12	$0.50	1.75
1,147,500		1,147,500	$0.31	$0.60	4.58 – 4.67
1,577,500		-	$0.30 - $0.43	$0.66	6.49 – 6.87
80,000		26,667	$0.42	$0.71	5.84
10,000		3,333	$0.47	$0.86	5.03
475,000		156,667	$0.66 - $0.67	$1.12	5.22 – 5.79
25,000		16,667	$0.81	$1.32	4.92
1,950,000		600,000	$0.87	$1.43	5.22
7,287,222		3,973,056			

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

Risk-free interest rate	2.64 % - 3.50 %
Volatility factor	62.71% - 63.81%
Expected life	7 years
Expected dividend rate	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the year ended October 31, 2022 was $941 (2021 - $996) recognized in contributed surplus reported in the statement of loss. Based on the Corporation's experience since introducing its stock options program, the forfeiture rate has been revised from 0% to 10% during the year 2021.

c) Restricted stock units (RSUs)

On April 28, 2021, the Shareholders of the Corporation approved the implementation of an RSU equity incentive plan (the "RSU Plan"), which provides for the granting to directors, officers, employees and consultants of the Corporation ("Eligible Participants") non-transferable Restricted Share Units, Performance Share Units, Deferred Share Units, or Other Share-Based Awards, or any combination thereof (the "RSU Awards"). The purpose of this RSU Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Participants related to the achievement of long-term financial and strategic objectives of the Corporation and the resulting increases in shareholder value. This RSU Plan is intended to promote a greater alignment of interests between the shareholders of the Corporation and the selected Eligible Participants by providing an opportunity to acquire Shares as long-term investments and equity interests in the Corporation. The number of Shares reserved for issuance and which will be available for issuance pursuant to Awards granted under the RSU Plan will equal 5% of the issued and outstanding Shares of the Corporation from time to time, provided that the aggregate number of Shares available for issuance to insider participants under this RSU Plan, together with all other equity incentive plans of the Corporation (including its Share Option Plan) to such insiders, may not exceed 10% of the issued Shares at any given time.

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

The following RSUs were granted during the year ended October 31, 2022:

Date of grant	Note	Number of RSUs	Vesting terms	Market price at time of grant
April 27, 2022		175,926	100% on April 27, 2023	$0.54
August 29, 2022		30,303	100% on August 29, 2023	$0.66
Balance as at October 31, 2022		**681,229**		

75,000 RSUs were vested and were exercisable as at October 31, 2022.

The following RSUs were granted during the year ended October 31, 2021:

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

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

d) Warrants

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

	Number of shares	Weighted Average Exercise Price
Balance as at October 31, 2021	24,658,182	$1.03
Issued	1,268,418	$0.63
Expired	(12,673,182)	$0.84
Exercised	(485,000)	$0.60
Balance as at October 31, 2022	**12,768,418**	**$1.19**

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

The following warrants were outstanding on October 31, 2022:

Number of Warrants	Issue date	Expiry date	Exercise price	Grant date fair value of full warrants	Remaining contractual life in years
11,500,000	June 29, 2021	June 29, 2024	$1.25	$0.25	1.66
1,268,418	July 29, 2022	July 29, 2027	$0.63	$0.35	4.75
12,768,418					

During the year ended October 31, 2022, a total of 1,268,418 warrants were issued pursuant to the July 2022 loan financing. The warrants fair value was determined by assigning the residual of the long-term debt fair value and the net proceeds.

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

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

e) Compensation Options

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

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2021	1,140,673	955,336	$1.23
Expired	(370,673)	(185,336)	$1.20
Balance as at October 31, 2022	**770,000**	**770,000**	**$1.25**

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2020	766,603	581,266	$0.84
Issued	770,000	770,000	$1.25
Exercised	(355,030)	(355,030)	$0.50
Expired	(40,900)	(40,900)	$0.50
Balance as at October 31, 2021	**1,140,673**	**955,336**	**$1.23**

The Corporation had outstanding compensation options as follows at the end of the respective years:

For the year ended October 31, 2022

Number of options	Issue date	Expiry date	Exercise price	Fair value of option	Remaining contractual life in years
770,000	June 22, 2021	June 22, 2023	$1.25	$0.22	0.64
770,000					**0.64**

For the year ended October 31, 2021

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

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

21. Loss per Share

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

	2022	2021
Net Loss for the year	**(25,746)**	(14,233)
Weighted average number of common shares outstanding	**80,858,528**	69,930,380
Basic loss per share for the year	**(0.32)**	(0.20)

The effect of dilution from stock options, RSUs, compensation options, warrants and convertible debentures was excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended October 31, 2022 and 2021 as they are anti-dilutive.

22. Other Cash Flow Information

Net change in non-cash operating working capital

	2022	2021
(Increase) in		
trade and other receivables	**(3,627)**	(583)
inventories	**(3,813)**	(6,982)
prepaid expenses and deposits	**(1,592)**	(376)
Increase (decrease) in		
accounts payable and accrued liabilities	**(4,017)**	6,418
provisions	**1,565**	111
	(11,484)	(1,412)

Supplemental (non-cash) cash flow information

	2022	2021
Increase in share capital on conversion of debentures	**1,121**	-
Acquisition of intangible assets included in accounts payable and accrued liabilities	**5,749**	-

Supplemental cash flow information

	2022	2021
Cash interest paid during the year	**2,884**	482
Cash interest received during the year	**(173)**	(1)

23. Cost of Goods Sold

	2022	2021
Finished goods	**17,554**	8,576
Freight, storage and distribution fees	**786**	486
Amortization of intangible assets	**887**	352
Impairment of intangible assets	**729**	-
Write down of inventories	**1,508**	188
	21,464	9,602

24. Sales and Marketing Expenses

	2022	2021
Employee compensation	**9,742**	5,291
Sales expenses	**2,642**	1,591
Marketing expenses	**3,448**	1,295
	15,832	8,177

25. General and Administrative Expenses

	2022	2021
Employee compensation	**2,420**	1,875
Administrative expenses	**2,182**	2,580
Investor relations expenses	**236**	857
Depreciation of property and equipment	**160**	55
Depreciation of right of use asset	**86**	76
Service income	**(42)**	(55)
	5,042	5,388

26. Medical Affairs and Regulatory Expenses

	2022	2021
Employee compensation	**1,614**	833
Patient support programs	**423**	472
Advisory boards and other expenses	**1,253**	402
Amortization of intangible assets	**285**	260
Impairment of intangible assets	**494**	247
Service income	**(141)**	(68)
	3,928	2,146

27. Financial, net

	2022	2021
Interest on debentures	**2,876**	767
Effective interest on debentures	**1,379**	491
Interest on long-term debt	**1,136**	-
Effective interest on long-term debt	**696**	-
Interest in the form of royalty	**164**	-
Lease interest	**143**	80
Bank and other interest	**67**	18
Bank charges	**39**	32
Foreign exchange (gain) loss	**1,263**	(111)
Interest income	**(173)**	(1)
	7,590	1,276

28. Segmented Information

Management has determined that there is only one operating and reportable segment, as all companies operate in the pharmaceutical industry. Revenues are generated by sales to wholesalers and retailers in Canada. Three clients accounted for gross revenue in 2022 of 81% (2021 – 88%).

29. Related Party Transactions

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

	2022	2021
Key management salary and benefits	**1,804**	1,289
Directors and employee stock option compensation	**941**	996
Consulting fees paid to a company controlled by an officer	**294**	300
Service income	**42**	123

29. Related Party Transactions – *cont'd*

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

	October 31, 2022	October 31, 2021
Amounts owed to key management, officers and directors		
Consulting fees	**20**	11
Convertible debentures	**486**	231
Accrued interest on convertible debentures	**8**	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	**1,313**	955
Accrued interest on convertible debentures	**15**	24
Non-convertible debentures	**-**	2,041
Accrued interest on non-convertible debentures	**-**	100
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**48**	-

30. Financial Instruments

Short term financial instruments, comprising cash, trade and other receivables, accounts payable and accrued liabilities, and non-convertible debentures are carried at amortized cost, which, due to their short-term nature, approximates their fair value. Long term financial instruments consisting of convertible debentures and long-term 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 October 31, 2022 and 2021, the Corporation carried derivative warrants defined as level 3 financial instruments (see note 16). There were no transfers between levels during the years. 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.

31. 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, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at October 31, 2022, a 5% increase/decrease in the USD/CAD would have a $1,373 ($114 in 2021) impact on net loss and equity.

31. Financial Risk Factors – *cont'd*

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

As at,	**October 31, 2022**		October 31, 2021	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**11,120**	**15,177**	612	759
Trade and other receivables – USD	**14**	**20**	-	-
Accounts payable and accrued liabilities – USD	**1,026**	**1,401**	2,455	3,040
Long-term debt – USD	**30,226**	**41,256**	-	-

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 senior debt facility. Convertible and non-convertible debentures or long-term debt negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

(b) Credit Risk

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

The Corporation sells its products through a small number of wholesalers and retail pharmacy chains. The Corporation has collection terms that vary based on the nature of products sold. Accordingly, when determining the percentage of receivables which are current, the Corporation considers all receivables under 30 days for Valeo Pharma Inc. and all receivables under 90 days for VPI Pharma Inc.

As at October 31, 2022, 94% (2021 - 82%) of trade accounts receivables were current. As at October 31, 2022, three customers accounted for 83% (2021 - 84%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at October 31, 2022	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Accounts payable, accrued liabilities, and provisions	**10,964**	**1,779**	**100**	**-**	**12,843**
Lease liability	**16**	**35**	**170**	**2,589**	**2,810**
Convertible debentures, including interest	**-**	**750**	**3,027**	**28,750**	**32,527**
Long-term debt, including interest and exit fees	**1,300**	**-**	**4,380**	**67,799**	**73,479**
	12,280	**2,564**	**7,677**	**99,138**	**121,659**

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, accrued liabilities, and provisions	8,369	580	1,006	-	9,955
Lease liability	16	31	125	2,297	2,469
Convertible debentures, including interest	-	-	213	1,879	2,092
Non-convertible debenture, including interest	-	3,754	1,802	-	5,556
	8,385	4,365	3,146	4,176	20,072

31. Financial Risk Factors – *cont'd*

(d) Capital Structure Financial Policy

The Corporation's objectives for managing capital are: (i) to maintain a flexible capital structure which optimizes the cost/risk equation; and (ii) to manage capital in a manner which maximizes the interests of its 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 from its cash balance, out of its internally generated cash flows and the use of credit facilities when available. To maintain or adjust the capital structure, the Corporation will work to secure new debt or raise capital that would provide additional capital. As at October 31, 2022, the Corporation is not subject to any externally imposed capital requirements.

32. Commitments

(i) Lease obligation

The Corporation leases its premises. The current lease will expire in August 2029. The Corporation has an option to further 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 on January 1, 2023, but the financial commitment is reported in the table below.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2023	199
2024 to 2029	206
2030	231
2031	272
2032	284
2033	297
2034	257
Total	**2,776**

(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. As at October 31, 2022, management estimates the likelihood of paying such milestones to be remote.

Royalty and profit sharing:

Under certain licensing or distribution agreements, the Corporation is required to pay annual royalty payments of up to 10% of aggregate Net Sales levels achieved during the year. Furthermore, certain agreements require the Corporation to make profit sharing payments ranging from 25% to 50% of net profits as defined in the respective agreement.