Financial Report

- Amended -

Second Quarter – Fiscal Year 2024

April 30, 2024

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 periods ended April 30, 2024, and 2023. This document should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the fiscal quarter ended on April 30, 2024, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share information. All other currencies are presented in thousands. This discussion and analysis document was prepared by management from information available as at June 13, 2024. 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, non-recurrent inventory write-offs specific to product launches and non-recurrent sales returns specific to product launches. Management believes that Adjusted Gross Profit better reflects the cash impact of the profit contribution of products mix.

EBITDA is defined as net profit or loss (L) adjusted for income tax, depreciation of property and equipment, depreciation of right of use asset, amortization of intangible assets, interest on short and long-term debt and other financing costs, interest income, 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 material 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 costs or staff recruitment fees and 7) specific material non-recurrent special provisions. We use Adjusted EBITDA as a key metric in assessing 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)/profit to EBITDA (and Adjusted EBITDA) are presented later in this document.

Use of Estimates and Judgements

The preparation of these unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses are discussed in Note 3 of the Corporation's 2023 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-24	Fiscal Year 2024
FY-23	Fiscal Year 2023
Q1-24	First quarter FY-24
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
Q4-22	Fourth quarter FY-22
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
QoQ	FY-24 quarterly results vs last year's quarterly results
YE-23	Year-end 2023, October 31, 2023
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	
3PL	Third-party logistics
BD&L	Business Development and Licensing activities
Biosimilar	Biologic drug that is highly similar to a biologic drug
BU	Business Unit defined as Commercial Unit focussing on a specific therapeutic area
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
GP	General Medical Practitioner
GPO	Group Purchase Organization
HC	Health Canada
HCP	Health Care Practitioner
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
Payers	Public (Provincial and Federal) and Private (insurance carriers) plans
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
Rx	Prescriptions
SKU's	Stock Keeping Units
TSX	Toronto Stock Exchange
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 prescription branded products for sale in Canada which bring improved healthcare benefits to Canadian patients.

Valeo's business unique model consists of providing all the required services to register, secure reimbursement and commercialize the acquired or in-licensed pharmaceutical products in Canada. Valeo possesses the necessary in-house expertise to handle all activities associated with regulatory, quality control, supply chain, warehousing and 3PL, medical information, and pharmacovigilance. The ability to handle such a broad range of activities has been a key factor in 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 strategic business development and the commercialization of innovative prescription products in predefined strategic therapeutic areas.

The revenue for the trailing 12-month period ended April 30, 2024 exceeded $54 million. While Valeo has been operating with relatively fixed operating costs, the business model demonstrated financial upside residing in Valeo's product portfolio. Since November 2023, management team has been actively optimizing operating costs and continues seeking additional pathways to simplify and improve cost-base to further deliver on portfolio ambition and financial upside – notably including review of organization size and amplitude.

The following are some of the most material product/in-licensing transactions that have contributed to transform Valeo's commercial pipeline:

- ➔ In March 2021, Valeo entered into an agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") to license the Canadian commercial rights to Enerzair®Breezhaler® ("Enerzair") and Atectura®Breezhaler® ("Atectura"). The Respiratory and Specialty Products Business Units were created to better support the commercial efforts for all products within 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 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 Simbrinza and Allerject, Valeo team expects each of the Respiratory/Allergy, Ophthalmology and Specialty BUs to positively impact financial performance over the coming quarters. The revenue growth experienced starting with FY-23 is a testament of the transformative impact new products have had on the Corporation's financial performance.

As of the date of this document, the Corporation has just over 80 full-time employees including a team of 45 commercial positions comprising pharmaceutical representatives, sales professionals, and medical science liaison staff.

Product Portfolio

Valeo's main 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 exceeds 90%. • Entire Canadian asthma market estimated at $1.08 billion.[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. ("Kaléo")	• Commercial rights acquired late Q3-2022. Formal launch in April 2023. • Canadian Market estimated at $80M, 5-7% CAGR. [2] • Provincial reimbursement and Private insurance coverage > 90%.
Ophthalmology Business Unit			
Xiidra®	Prescription eye-drop to treat dry eye disease	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Novartis announced on September 29, 2023 the divestment completion of front eye ophthalmology assets to Bausch Lomb, including Xiidra – see further details in 'Important' note on page 5.
Simbrinza®	Ophthalmic Drops (brimonidine and brinzolamide) to treat open-angle glaucoma or ocular hypertension		• Commercial rights acquired late Q3-2022. • Supported by a dedicated commercial team. • Entire Glaucoma Canadian market estimated at $250 million[1] and addressable market estimated at $55 million. • Public reimbursement and Private insurance coverage > 90%.
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 key account management team. • Canadian annual LMWH market estimated at >$170 million. [1] • Public and Private insurance coverage in place across Canada.
Onstryv®	Idiopathic Parkinson's disease	Zambon S.p.A.	• Marketed since Q3-2019. • Publicly reimbursement in Quebec since Q2-2023.
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 FY-2020.
Ametop™ Gel 4%	For skin Anesthesia prior to injection or cannulation.	Alliance Pharma Inc.	• Marketed by Valeo since FY-2020.

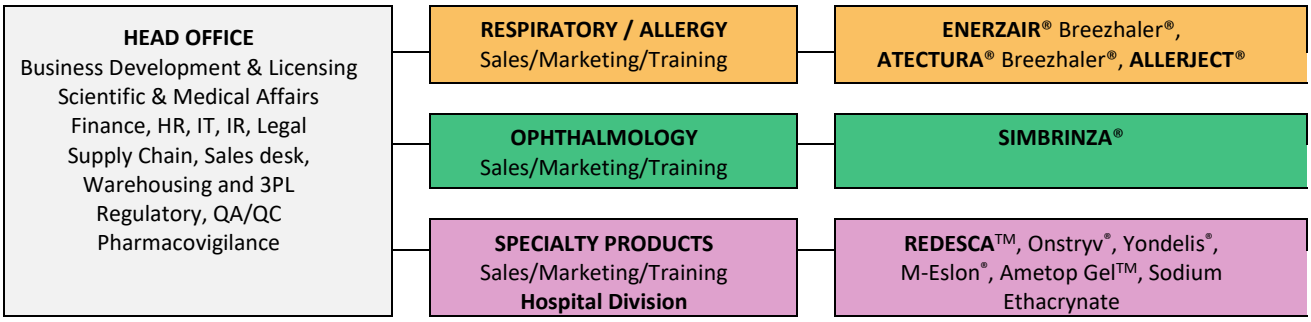
Note 1: Industry data, Source: IQVIA

Note 2: Verified Market Research

Corporate and Commercial Structure

The formation 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 portfolio has created significant operating leverage for Valeo. As we strive to add other strategic assets to each BU over the coming years, we are committed to taking full advantage of corporate structure and commercial platform.

The following presents corporate and commercial structure.



Respiratory/Allergy Business Unit

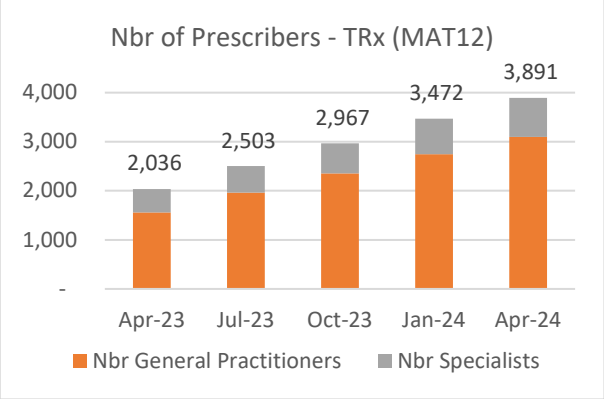
Enerzair® Breezhaler®, Atectura® Breezhaler®

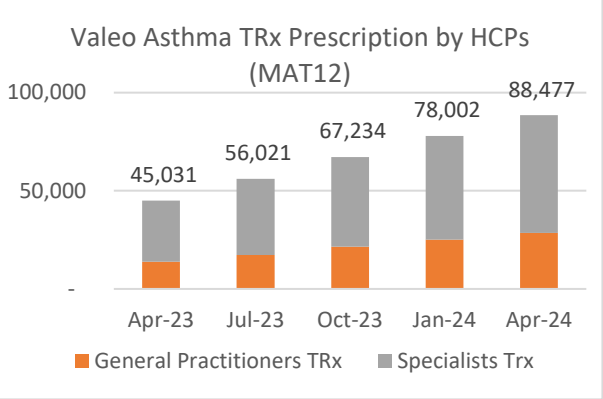
The Respiratory/Allergy BU was created in March 2021 to commercialize two newly approved asthma therapies by HC, Enerzair and Atectura, licensed from Novartis. These products bring compelling therapeutic benefits that were demonstrated in extensive clinical trials conducted by Novartis. Enerzair and Atectura are now 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 therapy 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, 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.

Leveraging Canadian nation-wide private and public reimbursement coverage since earlier in 2022, Valeo Q2-24 results continue to show solid sales progress over prior quarters, and we expect this trend to continue due to the sequential addition of new prescribing practitioners and growing number of patients.

At the end of April 2024, the total number of HCPs that prescribed Enerzair and Atectura in the last 12 months stood at 3,891 up 12% over the prior quarter and up 91% YoY (*see graph below*). For the 12 months ending April 30, 2024, total prescriptions exceeded 88,000, up 96% over the prior 12-month period.





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

On July 29, 2022, following the in-licensing of ALLERJECT, (epinephrine injection, USP) from Kaléo, the Respiratory BU product portfolio was expanded to include Allergy. The formal re-launch of Allerject by Valeo's commercial team took place in April 2023 ahead of the peak seasonal demand (June-September).

Allerject was first launched in 2013 and quickly captured 36% of the market. The product was subsequently withdrawn from the market due to manufacturing issues. With the implementation of an enhanced robotic manufacturing process, the product had been re-introduced

with limited promotional effort in the Canadian market in 2019 and has thus far achieved a modest 5.5% market share. We believe that Valeo's targeted commercialization efforts combined with Allerject's product features should lead to market share gains.

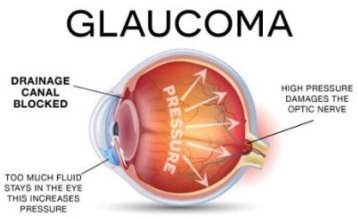
Allerject is used for the emergency treatment of serious allergic reactions (anaphylaxis) and is intended for people who are at risk and for people with a history of serious allergic reactions. Anaphylaxis reaction is a life-threatening condition which can be prevented by an appropriate use and dose 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, and it is pocket-size for ease of use and carry. The Canadian market for single-use epinephrine auto-injectors is estimated at $80 million (IQVIA Data – 2022) and expected to be growing at an 5-7% 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 created its Ophthalmology BU. Valeo has assembled a dedicated team of experienced Ophthalmology marketing specialists and sales force focusing on the promotion of Xiidra and Simbrinza. The addition of the Ophthalmology BU is highly synergistic for Valeo as it leverages its existing commercial operations, medical and head office infrastructure. Since its creation, the Ophthalmology BU has had a positive impact on Valeo's revenues.

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 abnormally high pressure in the eye. Glaucoma is one of the leading causes of blindness for people over the age of 60, although it can occur at any age it is more prevalent in older adults.



The Canadian market for fixed dose combinations used in glaucoma is estimated at $55 million and growing at a CAGR of ~4%. Total Canadian glaucoma market is estimated at $282 million. (IQVIA Data – 2022).

Simbrinza was launched in 2015 and has since captured 18% of the addressable market and, ranking as the third best selling drug in Canada for this indication.

The product is reimbursed >90% respectively by private and public plans across Canada and is mainly (92%) prescribed by ophthalmologists in Canada representing a target audience of 1,250.

IMPORTANT on XIIDRA®:

On June 30, 2023, Novartis (Global) announced its intention to sell XIIDRA, as well as several other ophthalmology products to Bausch + Lomb Corporation ("B&LC"). On September 29, 2023, Novartis announced the completion of sale which excludes SIMBRINZA.

Under the terms of the Commercialization and Supply Agreement signed between Valeo and Novartis in July 2022 (the "Agreement"), Novartis is obligated to reimburse a significant part of the $10 million upfront licence fee paid by Valeo should it opt to terminate the Agreement within the first 3 years of the agreement.

Following the completion of the sale of Xiidra to B&LC, Valeo has continued generating revenues from the sale of Xiidra during a transition period that came to an end in early June 2024. The transition timeline has remained within guidance provided in previous communications.

(See "Subsequent Events" section of this MD&A).

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 hospital branded products.

REDESCA™ – a transformative product for Valeo.

Following the HC approval of Redesca in December 2020, Valeo successfully launched the product in Q2-21. Due to the size of the commercial opportunity, the growing experience of dedicated key account management sales team and the innovative approach to GPO tenders, we have experienced rapid and meaningful contribution of Redesca to quarterly results. Redesca is the leading Canadian enoxaparin biosimilar and benefits from a broad coverage amongst private insurance companies and provincial public jurisdictions.

The LMWH Canadian market is estimated at >$170 million and includes 3 major biologic agents.

- The Enoxaparin market (the "Primary Market") is estimated at $50 million annually and comprises 6 competitors (Lovenox – and 5 biosimilars, including Redesca, the overall market leading Canadian biosimilar).
- The remaining market (the "Secondary Market") includes Dalteparin and Tinzaparin together representing sales estimated at $120 million annually. No biosimilar has been approved for these biologics and none are expected over the next several years.

Enoxaparin biosimilars currently represent the majority of LMWH enoxaparin sales in Canada, as provinces and hospitals exit historical agreements and GPO tenders and select biosimilars as their products of choice.

Over the coming years we expect the following trends to drive further expansion of the biosimilar sales in Canada.

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

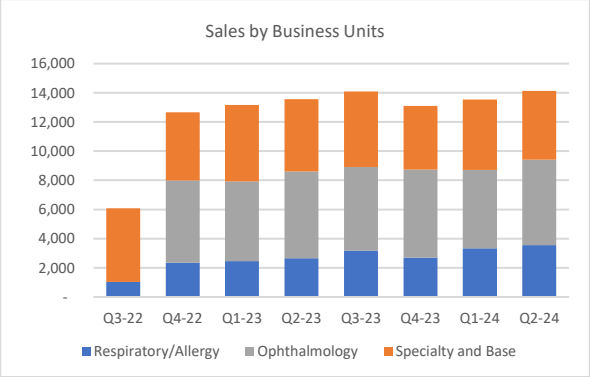
Valeo management believes Redesca is well positioned to take advantage of the above market trends.

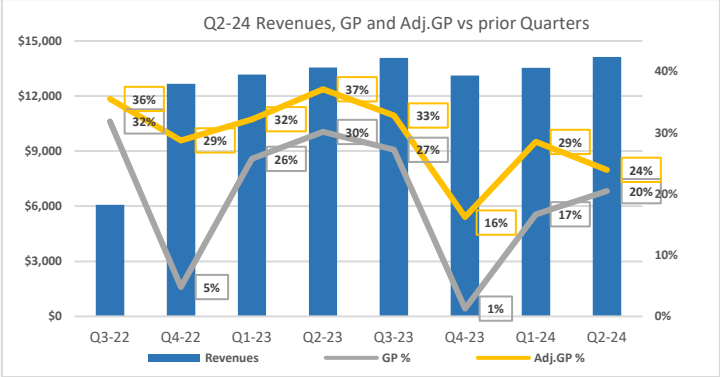
Q2-24 Results Overview

On a reported basis (as stated in 8Q view), Q2-24 renews with revenue growth trend established across FY-22 and most of FY-23. Aligned with practice implemented since Q4-23 closing GTN adjustments are more reflective of recent market dynamic and, as result, impacting gross margin – notably, on a comparable quarter YoY Ophthalmology business impact of $0.8 million. As result, the graphs below present revenues by BU for the last 8 quarters and reflect YoY catch-up adjustments. Trailing 12-months revenue at the end of Q2-24 reached $54.8 million, 21% above the 12-month period ended April 2023.

Q2-24 OPEX and Adjusted EBITDA are reflective of cost savings initiatives announced in November 2023 and implemented throughout Q1 and Q2-24. Savings have materialized across all functions commercial, medical and enablement. General & administrative appears to reflect increase (compared to Q1-24 and to Q2-23); however, the savings generated in the G&A teams are more than offset by transformation costs incurred in Q2-24 ($0.5 million). Sampling expenses remained in-check with limited procurement in Q2-24. As per IFRS rules, samples are expensed on purchase and can lead to significant variation of OPEX charges between quarters. The samples charged in Q2-24 remain part of normal course of business while the performance observed in Q3-23 represents a peak in expenditures. Through normal course of business, sample procurement from commercialization Partners is affected by go-to-market approach, demand seasonality as well as production timelines. And, as result, associated use and re-supply may differ from quarter to quarter and year to year.

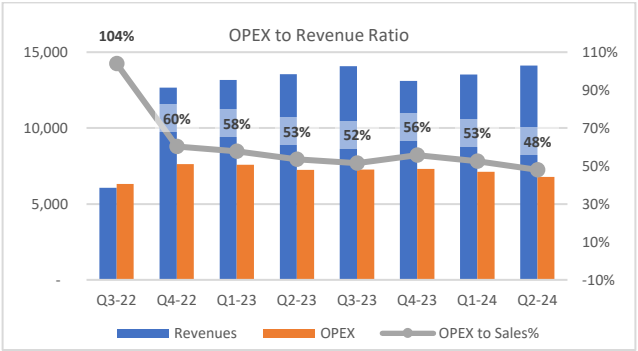
During the 6-month period ended April-2024, OPEX was actively managed to a lower baseline to better align with expected revenue growth from the transformed portfolio. Cost management remains a priority for management team for remainder of FY-24.

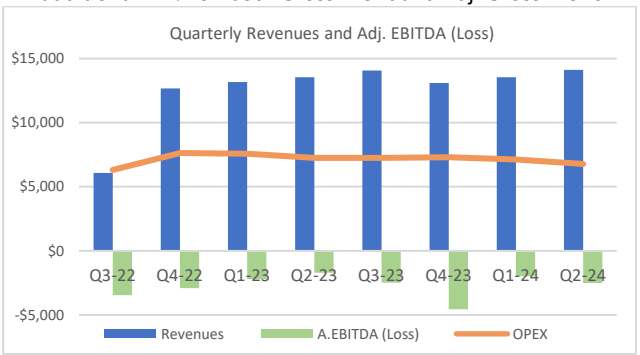




- Q2-24 Business Units quarterly revenues: continued growth in Respiratory/Allergy, return to growth for Specialty while Ophthalmology remains impacted by Xiidra[1].

- Q2-24 trending back towards 30%-mark despite dilutive impact of Xiidra.
- Excluding Xiidra (sales and profitability), would return continued portfolio performance improving by an additional 1-2% on both Gross Profit and Adj. Gross Profit.





- Opex to Revenue ratio has shown an erosion profile since Q4-23 which captured the combined impact of peak OPEX at $7.3 million while revenue base was impacted by catch-up adjustments in commercial conditions at $13.1 million.

- Revenue momentum stabilizing / aligning with trend established since Q4-22 despite erosion in demand associated to Xiidra. Operating margins consistent with Q1-24. Adjusted EBITDA loss for Q2-24 showing slight

[1] Distribution activities were maintained by Valeo until early June 2024 - see "Subsequent Events" sections of this MD&A.

- Consistent with announcements from November 2023, the first two quarters of 2024 have shown improvement in ratio as OPEX momentum is progressively being reduced by reductions and transformation. Q2-24 aligned to 48%, a 5% improvement from Q1-24 and from Q2-23.

deterioration vs Q1-24 while OPEX reductions generated in Q2-24 were largely depressed by transformation costs incurred in quarter.

- OPEX reduction plan announced November 20, 2023 is well underway from implementation standpoint. June announcements also expected to generate improvements in OPEX part of Q3 and further supporting trend improvement. (See "Subsequent Events" section of this MD&A).

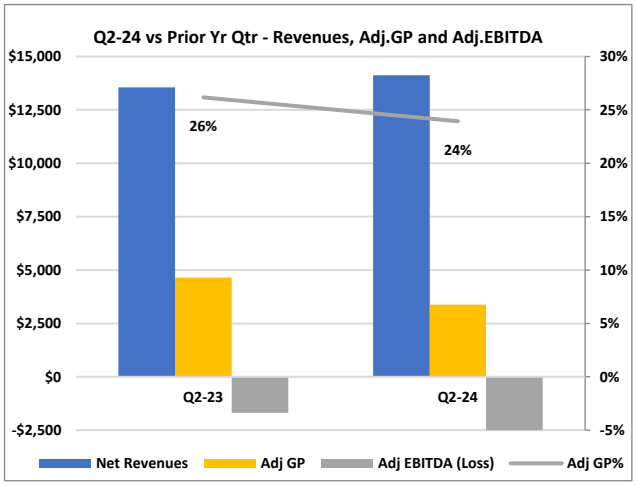
Valeo management expects revenue growth over the coming quarters and remains committed to taking full advantage of the peak sales potential of strategic commercial products, while continuing to improve OPEX management and leveraging existing service infrastructure. This will lead to expanded gross profits and accelerate Valeo's path towards profitability. (See "Liquidities" section of this MD&A).

Financial results for Q2-24 reflect the full impact of 3 financing transactions completed during FY-23 – including consequent interest expenses resulting from debt leveraging.
FY-23 financing transactions have provided Valeo with capital to fund operations and working capital requirements to pursue transformation initiated in November 2023 on the basis of relentless focus on core assets. Transformation is well underway and benefits ramping-up in Q2-24 despite additional transformation costs incurred. OPEX reductions are expected to continue growing /materializing throughout remainder of FY-24. (See "Q2-24 Highlights" and "Subsequent Events" sections of this MD&A).

Q2-24 Financial Results

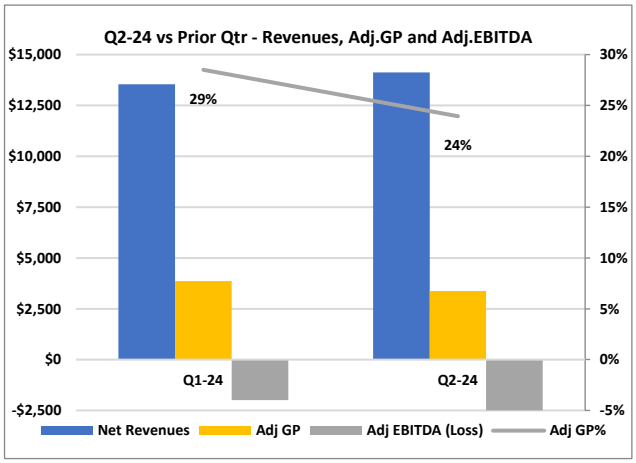
Q2-24 vs Q2-23 Performance

- Valeo revenue momentum returning to growth and reflecting +4% for same Qtr YoY growth and Core Brands contributing 58% of Net Sales mix.
- On portfolio excluding Xiidra activity, Core Brands would show increase in contribution from 75% Q2-23 to 78% Q2-24.
- Q2-24 reflects consistency in capture of commercial conditions - no change in trend. However, on comparable Quarter YoY reflects increase in Gross-to-Net capture as result of sales mix and existing commitments thereon.
- Organic revenue grew by 4% in Q2-24 vs Q2-23, including Respiratory franchise (Enerzair and Atectura) revenues, up 52% vs same Qtr YoY.
- Adjusted Gross Profit shrunk to $3.4 million, -$1.3 million vs Q2-23, mainly tied to sales mix. Excluding Xiidra contribution, Q2-24 Adjusted Gross Profit would show erosion limited to -$0.5 million.
- Operating loss grew to $3.9 million for Q2-24, up $1.1 million vs Q2-23, driven by eroding Xiidra contribution (-$0.8 million) trickle-down from Gross Profit to Operating Loss.
- EBITDA loss at $3.5 million increased vs Q2-23 by $0.7 million and Adjusted EBITDA Loss at $2.5 million, -$0.8 million vs Q2-23 – both mainly derived from Gross Profit impact associated to Xiidra.



Q2-24 vs the prior quarter (Q1-24)

- Valeo revenue momentum returning to positive trend with 4% QoQ growth while Core Brands contribution in net sales mix remains nearly unchanged.
- Organic revenue accelerated from 3% to 4% Q1-24 to Q2-24. Including high single digit revenue growth in Asthma and Ophthalmology.
- Adjusted Gross Profit for Q2-24 at $3.4 million, -$0.5 million or -12% from Q1-24 of which -$0.8 million tied to Xiidra agreement.
- Operating loss at $3.9 million for Q2-24 reduced by $1.0 million or 20% compared to Q1-24 due to improved Net Revenue mix improving Gross Margin and reduced Operating Expenses from cost savings initiatives. The OPEX-G&A remains materially unchanged despite carrying nearly $0.5 million additional transformation costs.
- Adjusted EBITDA loss for Q2-24 at $2.5 million represents $0.5 million deterioration from Q1-24.



Q2-24 Highlights

- On February 13, 2024, the Corporation announced the appointment Messrs. Robert Raich and Charles Bisaillon to the Company's Board of Directors and that Messrs. Michel Trudeau, Stuart Fowler, Didier Leconte and Ms. Tamara Close have resigned from its Board of Directors.
- On February 2, 2024, the Corporation entered into an amendment of its 7-year Commercialization and Supply Agreement of XIIDRA® and SIMBRINZA®. As per the Amendment, Valeo will continue to distribute XIIDRA® for the entire transition period. The transition period is expected to continue until approximately Q3-2024. Valeo will continue to commercialize and promote SIMBRINZA® on an exclusive basis as provided by the Commercial and Supply Agreement with Novartis. Within 60 days from the Effective Date of Termination, Valeo will be entitled to a reimbursement of a residual portion of the upfront fee paid by Valeo at the time it entered into the Commercialization and Supply Agreement. The amount to be received as Reimbursement, when received, will be used for partial repayment of the Secured Term Loan (the "Facility'') entered into between Valeo and Sagard Healthcare Royalty Partners, LP ("Sagard") in July 2022.
- On February 2, 2024, the Corporation also entered into an agreement with Sagard to provide, among other things, for accelerated debt repayment of the Facility. Under the Sagard Amendment, Valeo will be required to make a first repayment of CAD$10 million by August 31, 2024 and will also have the option to make an additional repayment of US$5 million under the Facility, which amount is currently held in a restricted cash account.
- On February 23, 2024, the Corporation entered into an agreement to assign the rights to a non-core asset for gross proceeds consideration of $1.5 million to be materialized in Q2-2024.

Subsequent Events

- On March 22, 2024, the Corporation announced the appointment of Mr. Al Moghaddam to the Company's Board of Directors. Mr. Moghaddam is a customer centric transformational life sciences leader with over 25 years of global experience. His work experience spans from large multinationals through to early-stage companies and he has held leadership positions within pharma, medical device, med-tech, and consumer markets. He is a strong visionary, process driven leader, able to craft a vision and motivate teams to achieve superior results and recognized by such companies as Allergan, Bristol Myers Squibb, Teva & Pharmascience for outstanding performance in creating value. He has cross functional experience in product life cycle management, sales, BD&L, market access, marketing, finance & M&A.
- In May 2024, the Company confirmed that the effective date of termination regarding the XIIDRA partial termination agreement previously entered into was set at May 30, 2024, rather than the date of the marketing authorization transfer.
- On June 13, 2024, the Corporation announced the restructuring of its commercial field operations aimed at reducing its operating expenses, aligning its commercial infrastructure with current market dynamic and accelerating its path to profitability. The cost reduction measures are affecting approximately 20% of the workforce and part of a total decrease in operating expenses of more than $5 million on an annualized basis.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the April 30, 2024, unaudited interim condensed consolidated financial statements.

For presentation purposes, Valeo elected to modify presentation starting Q1-24 by performing reclass of Distribution costs as well as Profit Sharing expenditures respectively from Operating Expenses to Cost of Goods Sold. Valeo believes this presentation to be more representative of business model and industry practices. (See "Q2-2024 Financial Statements" Notes # 2, 18 and 20).

Consolidated Statements of Loss

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Revenues	**14,129**	**13,558**	*571*	*4%*	**27,668**	26,720	*948*	*4%*
Cost of Goods Sold	**11,239**	9,473	*1,766*	*19%*	**22,520**	19,237	*3,283*	*17%*
Gross Profit	**2,890**	4,085	*(1,195)*	*-29%*	**5,148**	7,483	*(2,335)*	*-31%*
Gross Profit % to Revenues	*20.5%*	*30.1%*		*-9.7%*	*18.6%*	*28.0%*		*-9.4%*
Adjusted Gross Profit	**3,382**	4,657	(1,275)	-27%	**7,241**	8,565	*(2,432)*	*-28%*
Adjusted Gross Profit %	*23.9%*	*34.3%*		*-10.4%*	*26.2%*	*32.1%*		*-9.9%*
Expenses								
Sales and Marketing	**4,576**	4,807	*(231)*	*-5%*	**9,301**	9,298	*3*	*0%*
General and Administrative	**1,517**	1, 008	*509*	*50%*	**2,994**	2,362	*632*	*27%*
Medical affairs, QA & regulatory	**642**	844	*(202)*	*-24%*	**1,367**	1,740	*(373)*	*-21%*
Share-Based Compensation	**47**	228	*(181)*	*-79%*	**241**	747	*(506)*	*-68%*
Total OPEX	**6,782**	6,887	*(105)*	*-2%*	**13,903**	14,147	*(244)*	*-2%*
Total OPEX as % of Revenues	*48.0%*	*50.8%*		*-2.8%*	*50.2%*	*52.9%*		*-2.7%*
Operating Loss	**(3,892)**	(2,802)	*(1,090)*	*39%*	**(8,755)**	(6,664)	*(2,091)*	*31%*
Other Expenses (income)								
Financial, net	**4,697**	3,886	*811*	*21%*	**7,315**	6,369	*946*	*15%*
Unrealized loss (gain) on derivative warrant liability	**-**	(211)	*211*	*-100%*	**-**	(308)	*308*	*-100%*
Other income	**(778)**	-	*(778)*	*0%*	**(1,387)**	-	*(1,387)*	*0%*
Total Other Expenses	**3,919**	3,675	*244*	*7%*	**5,928**	6,061	*(133)*	*-2%*
Net loss for the period	**(7,811)**	(6,477)	*(1,334)*	*21%*	**(14,683)**	(12,725)	*(1,958)*	*15%*
Other comprehensive loss								
Foreign exchange	**(3)**	(2)	*(1)*	*50%*	**2**	1	*1*	*100%*
Defined benefit plan, net actuarial (loss) gain	**(88)**	(148)	*60*	*-41%*	**(88)**	(148)	*60*	*-41%*
Total comprehensive loss	**(7,902)**	(6,627)	*(1,275)*	*19%*	**(14,769)**	(12,872)	*(1,897)*	*15%*
Loss per share								
Basic and diluted	**(0.08)**	(0.08)	-	*0%*	**(0.17)**	(0.15)	*(0.02)*	*13%*
Weighted avg. # of shares o/s	**98,675,427**	83,745,778	*14,929,649*	*18%*	**86,153,456**	83,682,708	*2,470,748*	*3%*

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 Q2-24 and Q2-23 as compared to prior year periods.

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Gross Profit	**2,890**	4,085	*(1,195)*	*-29%*	**5,148**	7,483	*(2,335)*	*-31%*
Gross Profit % to Revenues	***20.5%***	*30.1%*		*-9.7%*	***18.6%***	*28.0%*		*-9.4%*
Adjustments								
Licence cost amortization	**492**	493	*(1)*	*0%*	**985**	986	*(1)*	*0%*
Inventory write-off (product launch)	**-**	79	*(79)*	*-100%*	**1,108**	96	*(96)*	*-100%*
ADJUSTED GROSS PROFIT $	**3,382**	4,657	*(1,275)*	*-27%*	**7,241**	8,565	*(2,432)*	*-28%*
Adjusted Gross Profit %	***23.9%***	*34.3%*		*-10.4%*	***26.2%***	*32.1%*		*-9.9%*

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 Loss for Q2-24 and Q2-23 as compared to prior year periods.

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Net Loss	**(7,811)**	(6,477)	*(1,334)*	*21%*	**(14,683)**	(12,725)	*(1,958)*	*15%*
Adjustments								
Interest Expense	**3,704**	3,322	*382*	*11%*	**7,440**	6,570	*870*	*13%*
Unrealized loss (gain) on derivative warrant liability	**-**	(211)	*211*	*-100%*	**-**	(308)	*308*	*-100%*
Depreciation	**97**	70	*27*	*39%*	**192**	135	*57*	*42%*
Amortization	**540**	558	*(18)*	*-3%*	**1,097**	1,110	*(13)*	*-1%*
EBITDA Loss	**(3,470)**	(2,738)	*(732)*	*27%*	**(5,954)**	(5,218)	*(736)*	*14%*
Other Adjustments								
Share-Based Compensation	**47**	228	*(181)*	*-79%*	**241**	747	*(506)*	*-68%*
Recruitment costs - new product launch	**-**	13	*(13)*	*-100%*	**-**	43	*(43)*	*-100%*
New product launch costs	**-**	149	*(149)*	*-100%*	**-**	149	*(149)*	*-100%*
Inventory write-off	**-**	79	*(79)*	*-100%*	**1,108**	96	*1,012*	*1054%*
Contract penalty / early termination	**-**	-	*-*	*-*	**-**	28	*(28)*	*-100%*
Other provision (Severance)	**-**	-	*-*	*-*	**179**	373	*(194)*	*-52%*
Foreign exchange	**924**	575	*349*	*61%*	**(242)**	(125)	*(117)*	*94%*
Adjusted EBITDA Loss	**(2,499)**	(1,694)	*(805)*	*48%*	**(4,668)**	(3,907)	*(761)*	*-9%*

	Q2-24 vs Q2-23
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 revenues and ultimately profitability. • Revenues are trending upwards due to continued traction in the market although on a different sales mix, mainly from continued efforts and associated traction from Core brands.
	• Q2-24 Revenue performance continuing sales upward trend established in 2023 with $14.1 million compared to revenues of $13.6 million in Q1-23, a 4% increase and turning a 4% increase versus Q1-24. • The comparable quarter YoY increase resulted mainly from sales uplift generated via promotional activities in Respiratory, Allerject and continued growth from other core products, Redesca, Simbrinza. • Enerzair continues to lead the fast-growing triple-active therapy asthma market, while Atectura continues to benefit from market share gains within the double-active therapy asthma market.
Gross Profit $ and ratio %	• In addition to the transfer price for products, cost of goods also takes into consideration the amortization of product rights.

	Q2-24 gross profit contribution was down -29% over Q2-23 period at $2.9 million. Gross profit % in Q2-24 has been impacted by the unfavorable sales mix and Xiidra (See "Adjusted Gross Profit"), and Gross profit% in Q2-23 by the under-provisioned rebates (PLA/GPO) of Q1-23 which was adjusted for in Q4-23.
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, non-recurrent inventory write-offs specific to product launches. • Management believes the Adjusted Gross Profit metric better reflects the true profit contribution of Valeo's product mix. After eliminating the amortization charges as well as other non-recurrent adjustments, Adjusted Gross Profit for Q2-24 of $3.4 million appears $1.3 million weaker, or -27% from Q2-23 – of which $0.8 million from lower Xiidra contribution for same quarter YoY.
Sales and Marketing ("S&M") expenses	• Valeo commercializes Branded products requiring S&M support, as well as hospital products, requiring lower S&M commitments. Staff costs represent the bulk of Valeo's S&M expenses, those expenses have increased following the expansion of Valeo's commercial team and the creation of its Respiratory/Allergy BU and more recently the addition of the Ophthalmology BU. • Going forward S&M expenses as a % of revenues should decrease over time as brands gain momentum in market and/or, investments are aligned to brand potential and product lifecycle.
	• S&M expenses for Q2-24 were $4.6 million compared to $4.8 million for Q2-23, a 5% decrease. • The QoQ (Q2-24 over Q2-23) $0.2 million decrease mainly tied to review of expenses and, to a lesser degree, timing impact between the first two quarters of FY-24. • S&M as % of Revenues decreased from 35% in Q2-23 to 32% of revenues in Q2-24.
General and Administrative ("G&A") expenses	• G&A expenses consist primarily of staff costs for Valeo's management team and team members outside S&M as well as Medical Affairs, QA & Regulatory - such as administration, finance and accounting, business development, legal, IR and IT.
	• G&A expenses for Q2-24 were $1.5 million compared to $1.0 million for Q2-23, a 50% increase. This increase is mainly due to transformation costs incurred to shape operations on core assets and to generate OPEX reductions materializing throughout FY-24. Outside these transformation costs, Q2-24 G&A expenses would have remained leveled to Q1-23.
Medical Affairs and Regulatory ("MA & Reg") expenses	• MA & Reg expenses for Q2-24 were $0.6 million, representing a -24% decrease over Q2-23. • MA & Reg expenses in Q2-24 represented just under 5% of revenues as compared to slightly over 6% for Q2-23.
	• Same as for S&M and G&A expenses, expectation for MA & Reg expenses to trend downward as a % of revenues as Revenues momentum grows and core brands are positioned to capture market opportunities. (See "Selected Quarterly Financial Information")
Share-Based Compensation	• SBC expenses represent the costs relating to the issuance of stock options and RSUs/DSUs to new staff and board members and the vesting of same over time. • SBC expenses were nominal in Q2-24 compared to $0.2 million in Q2-23 mainly due to issuance of DSUs vested in Q2-23 vs nil in Q2-24.
Total Operating Expenses ("Total OPEX") and Total OPEX as % of Revenues	• Total OPEX stood at $6.8 million in Q2-24, down 2% compared to $6.9 million in Q2-23. • The ratio of Total OPEX to Revenues is continuing to erode via combination of core portfolio sales momentum gains momentum and continued management of OPEX. • Erosion trend expected to continue over the coming quarters as core portfolio growth can further leverage existing infrastructure. • Strict OPEX management and relentless focus on execution are expected to materialize a continued QoQ expansion of gross profits and a direct impact to overall profitability. • Valeo's ratio of total OPEX to revenues has declined from 51% in Q2-23 to 48% in Q2-24. • In Q1-24, Valeo took initiatives to reduce OPEX and while implementation is occurring, additional costs of transformation are incurred. In Q2-24, transformation costs amount to $0.5 million. • Management expects the OPEX reduction to grow further and continue materializing throughout remainder of FY-24.
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 operations. Financial expenses also capture costs for non-recurrent use of the revolving credit facility, supplier financing, other financial charges, and bank fees. • Financial expenses also capture Foreign Exchange (F/X) gain or loss, as well as lease interest.
	• Financial expenses in Q2-24 were $4.7 million compared to $3.9 million in Q2-23. • Financial expenses in Q2-24 also included a $0.9 million unrealized net F/X loss, resulting from the conversion at the end of Q2-24 of the US$ denominated Sagard loan and revolving credit facility compared to the prior quarter, less F/X loss on cash. Looking ahead, management intends to adopt more proactive measures to manage F/X exposure in connection with repayments of capital on the Sagard loan starting in the last quarter of FY-24.

Unrealized 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. • In Q2-23, the impact of the re-evaluation of the embedded derivative was an unrealized gain of $211. • The embedded derivative was eliminated in Q2-23 on expiry of the warrants. No impact to Q2-24.
Other income	• In Q2-24, a gain on disposal of intangible assets of $0.8 million was recorded as part of an asset sale agreement impacting a non-core asset.
Net loss for the period	• Net loss for Q2-24 was $7.8 million compared to $6.5 million for Q2-23, representing a 21% increase. • The increase in net loss in Q2-24 was due to a combination of i) Gross profit diluted by $0.8 million from eroding Xiidra contribution and ii) transformation costs (supported under G&A) in Q2-24 in the amount of $0.5 million.
EBITDA (L)	• Management believes EBITDA performance is more indicative of the commercial progress achieved by the Corporation as it eliminates financial costs associated with financial structure and the amortization of prior investments in product portfolio such as license fees and regulatory filings. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• EBITDA Loss in Q2-24 of $3.5 million presents a 27% deterioration vs Q2-23.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Adjusted EBITDA(L) includes adjustments such as Share-Based Compensation, foreign exchange as well as other non-recurrent adjustments to net loss such as material severance costs. • Following such adjustments, Adjusted EBITDA loss in Q2-24 was $2.5 million compared to $1.7 million in Q2-23, representing a -0.8 million deterioration.

Consolidated Balance Sheet Highlights

			Change	
	Q2-24	**YE-23**	*$*	*%*
Cash	**6,890**	7,502	*(612)*	*-8%*
Trade and other receivables	**5,611**	6,565	*(954)*	*-15%*
Inventories	**6,606**	10,246	*(3,640)*	*-36%*
Intangible assets	**11,600**	13,300	*(1,700)*	*-13%*
Total assets	**34,573**	41,207	*(6,634)*	*-16%*
Revolving credit facility	**3,167**	2,794	373	13%
Accounts payable and accrued liabilities	**16,345**	11,416	4,929	43%
Provisions	**4,667**	4,188	479	11%
Convertible debentures	**23,438**	-	23,438	*100%*
Current portion of long-term debt	**12,747**	1,807	10,940	605%
Total current liabilities	**60,425**	20,274	40,151	198%
Convertible debentures	**-**	22,368	*(22,368)*	*-100%*
Advance from shareholders	**626**	592	*34*	*6%*
Long-term debt	**26,837**	36,796	*(9,959)*	*-27%*
Total liabilities	**89,442**	81,544	*7,898*	*10%*
Share capital	**31,826**	31,696	*130*	*0%*
Warrants	**2,967**	2,967	-	*0%*
Equity component of convertible debenture	**2,989**	2,989	-	*0%*
Deficit	**(96,947)**	(82,264)	*(14,683)*	*18%*

	Q2-24 vs YE-23
Cash	• Cash balance at the end of Q2-24 stood at $6.9 million compared to $7.5 million at YE-23 representing a $0.6 million decrease. The decrease between the two reported periods included the partial offset between 1) the increase in revolving credit facility of $0.4 million, and 2) working capital and operating requirements for Q2-24.
Trade and other receivables	• Trade and other receivables decreased to $5.6 million at Q2-24, a $1.0 million decrease from YE-23 at $6.6 million. Q2-24 receivables level reflect sales for Q2-24 period (February to April) while Valeo's YE-23 level reflected the strong sales performance in the later part of FY-23.
Inventories	• Inventory levels decreased by $3.6 million between YE-23 and Q2-24 as inventory levels are managed to a lower level – aligned to portfolio dynamics and lifecycle requirements.
Intangible assets	• Intangible assets represent investments made to build product pipeline and 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.

	• Intangible assets are tested quarterly for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each asset exceeds its book value. • Intangible assets have decreased by $1.7 million at the end of Q2-24 compared to YE-23 reflecting amortization charges for the period.
Total assets	• Total assets decreased by $6.6 million between YE-23 and Q2-24, essentially driven by changes in short term assets and intangible assets.
Revolving credit facility	• Implemented in Q4-23 via agreement with Accord Financial. • Revolving credit facility increased by $0.4 million at the end of Q2-24 to support Valeo's operations and inventory purchases.
Accounts payable and accrued liabilities	• Accounts payable and accrued liabilities have increased by $4.9 million between YE-23 and Q2-24, representing a 43% increase. The Q2-24 trade accounts payables included the impact of large shipments due to seasonality in supply procurement and trade terms as well as an increase in non-trade accounts payable.
Provisions	• Provisions include accruals for: i) sales returns and ii) price rebate and chargebacks resulting from co-pay programs, GPO and PLA agreements not yet invoiced. • Provisions required at the end of Q2-24 have increased by $0.5 million or, 11% compared to YE-23 reflecting commercial conditions evolution – mainly for GPO and PLA rebates (evolution in product demand mix over the last invoices and the corresponding accruals).
Current portion of convertible debentures	• Corresponds to current portion of convertible debenture becoming due in Q4-24 *(see "Convertible debenture" in this table).*
Current portion of long-term debt	• Corresponds to current portion of long-term debt contracted with Sagard becoming due in Q4-24 *(see "Long-Term Debt" in this table).*
Total current liabilities	• Valeo's current liabilities between YE-23 and Q2-24 increased by $40.2 million, representing 198% due to cumulative impacts mainly from the reclassification of the total of balance of convertible debenture from non-current to current liabilities, the reclassification of the coming due portion of the long-term debt into current liabilities and the increase in accounts payable and accrued liabilities.
Convertible debentures	• Balance associated to $25 million convertible debentures financing realized in Q1-22. • The current portion in Q2-24 and the non-current portion in YE-23 amounts are presented after netting the transaction costs, the allocation of the conversion features of the debenture to the equity component, as well as the accretion expense. As the total balance of convertible debentures is becoming due in Q4-24 and is presented in current liabilities.
Advance from a Shareholder	• Represent loan agreement with related party of $0.6 million + annual interest rate of 12%.
Long-term debt	• Balance associated to US$30 million debt recorded in July 2022 and represents the Canadian $ equivalent of the Sagard debt, less the value of the warrants issued as part of the transaction and recorded as equity and the transaction costs. • The Q2-24 value of the Sagard Debt incurred a $1 million variance since YE-23 due to partial offset between 1) an increase of $1.1 million accretion expense for the first two quarters of 2024, 2) F/X impact of converting Sagard debt at YE-23 and Q2-24 which led to a $0.3 million increase for first half of 2024, and 3) the increase of $10.9 million of the current portion of long-term debt becoming due in across Q4-24 and first half of FY-2025
Share capital	• Nominal changes for the period.
Deficit	• The increase reflects the performance of the Corporation during the period (See "Consolidated Statement of Loss")

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q2-24	Q1-24	Q4-23	Q3-23	**Q2-23**	Q1-23	Q4-22	Q3-22
Revenues	**14,129**	13,539	13,108	14,082	**13,558**	13,162	12,663	6,073
Cost of Goods Sold	**11,239**	11,281	12,942	10,250	**9,473**	9,775	12,056	4,139
Gross Profit	**2,890**	2,258	166	3,832	**4,085**	3,387	607	1,934
Gross Profit % to Revenues	***20.5%***	*16.7%*	*1.3%*	*27.2%*	***30.1%***	*25.7%*	*4.8%*	*31.8%*
Adjusted Gross Profit[1]	**3,382**	3,859	2,128	4,614	**4,657**	3,897	3,262	2,157
Adjusted Gross Profit %[1]	***23.9%***	*28.5%*	*16.2%*	*32.8%*	***34.3%***	*29.6%*	*25.8%*	*35.5%*
Expenses								
Sales and Marketing	**4,576**	4,725	5,143	5,439	**4,807**	4,491	4,314	4,098
General and Administrative	**1,517**	1,477	1,327	1,068	**1,008**	1,343	1,261	979
Medical affairs, QA & regulatory	**642**	725	721	741	**844**	896	1,444	680
Share-Based Compensation	**47**	194	109	14	**228**	519	235	262
Total OPEX	**6,782**	7,121	7,300	7,262	**6,887**	7,249	7,254	6,019
Total OPEX as % of Revenues	***48.0%***	*52.6%*	*59.2%*	*54.7%*	***50.8%***	*55.1%*	*57.3%*	*99.1%*
Operating Loss	**(3,892)**	(4,863)	(7,134)	(3,430)	**(2,802)**	(3,862)	(6,647)	(4,085)
Other Expenses (income)								
Financial, net	**4,697**	2,618	2,111	2,408	**3,886**	2,483	4,149	1,282
Loss (gain) on derivative warrant liability	**-**	-	-	-	**(211)**	(97)	(307)	14
Other income	**(778)**	(609)	-	-	**-**	-	-	-
Income taxes	**-**	-	-	-	**-**	-	(1,174)	-
Net Loss for the period	**(7,811)**	(6,872)	(9,245)	(5,838)	**(6,477)**	(6,248)	(9,315)	(5,381)
EBITDA (Loss)[1]	**(3,470)**	(2,487)	(8,445)	(1,832)	**(2,738)**	(2,480)	(7,046)	(3,910)
Adjusted EBITDA (Loss)[1]	**(2,499)**	(2,081)	(4,546)	(2,480)	**(1,694)**	(2,213)	(2,912)	(3,465)

1. See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures"

Notes	**Valuable information**
Revenues	• Q2-24 Revenues were up from Q1-24 due to improved traction and sales momentum made by Redesca, Enerzair and Atectura, Simbrinza and Allerject. • Q2-24 Revenues were up compared to all prior quarters. With proper capture of commercial conditions and no material catch-up adjustments required, the sales trend shows continued improvement, despite loss of momentum associated to Xiidra cease of promotion. • Q4-22 revenues reflect significant increase from addition of Xiidra, Simbrinza and Allerject as well as the organic growth on other key products.
Adjusted Gross Profit $	• Adjusted Gross Profit in Q2-24 reflects continuity in a healthy capture of gross-to-net adjustments following the required catch-up adjustments were performed in Q4-23. Adjusted Gross Profit in Q4-23 is negatively impacted by adjustments carried out on rebates/returns provision. Product mix relative contribution is driving a temporary bias in Adjusted Gross Profit.
Sales and Marketing	• S&M expenses decreased in Q2-24 compared to Q1-24 and Q4-23 as transformation showing OPEX reduction. Management expect OPEX reduction to significantly grow into Q3-24 and continue materializing throughout the remainder of FY-24. • S&M increased in Q4-22 and Q1-23 reflecting addition of Ophthalmology business unit. Q2-23 and Q3-23 also materializing increases tied to momentum in Asthma/Allergy business unit.
General and Administrative	• G&A expenses decreased in Q2-24 despite incremental transformation costs incurred to re-center focus on core assets and on OPEX reduction materializing throughout the remainder of FY-24. Transformation costs incurred amount to $0.5 million in Q2-24. • G&A expenses generally stable through FY-23 when excluding $0.4 million severance paid to departing COO in Q1-23. Q3-22 G&A expenses were positively impacted by a $0.4 million recovery from the fraud recorded in Q2-22.

Medical Affairs and Regulatory	• Medical Affairs and Regulatory activities also showing reduction in Q2-24 versus Q1-24 and through FY-23. • Medical Affairs and Regulatory activities have declined in Q1-23 compared to the prior period due to timing of MA & Reg activities, as well as a $0.5 million impairment charges on intangible assets expensed in Q4-22.
Share-Based Compensation	• Represents the costs of issuing stock options, RSUs and DSUs (Long-Term Incentive Plan or "LTIP"). Fluctuation between quarters is due to the hiring of staff, the addition of Board members and the vesting associated with LTIP initiatives. In Q3-23, Share-based compensation decreased compared to the prior quarter due to an increase in the forfeiture rate of options to reflect the revised percentage of options granted that are expected to cancel or to forfeit based on historical data.
Total Operating Expenses ("Total OPEX")	• Despite the varying costs of samples purchased, total OPEX has been stable over the last few quarters after being impacted by expenses related to the addition of the new Ophthalmology business unit in the later part of FY-22. • The ratio of total OPEX to revenues is trending down and indicative of Valeo's commercial progress and better utilization of its operating leverage. The ratio of OPEX to revenues was 48% in Q1-24, a significant reduction from 59% Q4-23 – which was negatively impacted by revenue pressured by catch-up in carrying provisions for rebates/returns – without provision adjustment, Total OPEX as % of Revenues would be aligned to Q3-23 at 55%. From longitudinal point of view, Q2-24 returns to improved ratio versus all FY-23 quarters. Since Fall 2021, Total OPEX had increased to support the growth of commercial platform and HO infrastructure thus providing significant leverage to grow revenues and add key products to commercial portfolio. And, since November 2023, management has taken multiple initiatives to materialize OPEX savings and drive sustainability for organization. • Ratio of Total OPEX to revenues expected to continue downward trend as: 1) core portfolio products continue gaining momentum and generate incremental profitability to absorb commercial platform and head office infrastructure and, 2) OPEX optimization program implementation *(see "Q1-24 Highlights" section)*
Financial, net	• Financial expenses increased significantly in Q2-24 vs Q2-23 due to a combination of i) foreign exchange exposure $0.3 million, ii) increased interest on debt for $0.3 million and iii) interest on revolving credit facility not active in Q2-23. • Financial expenses were down in Q3-23 due to a $1.0 million positive net F/X impact on converting the quarter end balance of the US$ denominated debt. Q4-23 and Q1-24 Financial expenses were both down respectively due to i) Q4-23 revised estimate on interest in the form of royalty $3.6 million positive impact and, ii) Q1-24 gain on foreign exchange of $1.2 million.
Other income	• In Q2-24, a gain on disposal of intangible assets of $0.8 million was recorded as part of an asset sale agreement, for the sale of a non-core asset. • In Q1-24, a gain on disposal of intangible assets of $0.2 million was recorded as part of an asset sale agreement and the sale of material associated to the transfer of Xiidra assets to B&LC generated income of $0.4 million.
Net loss for the period	• Q2-24 Net loss increased vs Q1-24 mainly driven by Gross Profit diluted by Xiidra contribution and the increase in transformation cost offsetting G&A OPEX savings. • Net loss in Q1-23 decreased by 33% compared to Q4-22 and reflects the increase in gross profit, and tight control over OPEX. The net loss in Q4-22 reflected a significant write-off on intangibles which was necessary to adjust the carrying value of some intangible assets.
EBITDA (Loss)	• Q2-24 EBITDA loss impacted by Gross Profit contribution erosion from Xiidra and the increase in transformation cost offsetting G&A OPEX savings. • Q1-24 impacted by inventory write-offs for newly launched brand of $1.1 million. • Q4-23 EBITDA loss outlier to downward trend as result of catch-up in carrying provisions for rebates/returns directly translating to Gross Profit as well as Inventory write-off tied to newly commercialized brand.
Adjusted EBITDA (Loss)	• Adjusted EBITDA (loss) in Q4-23 increased compared to Q1-24 and prior quarters as a result of 1) lower than expected margins due to increased accruals to normalize the level of provisions for GPO and PLA charges to keep track of Valeo's revenue mix, and 2) adjustment to sales return provision to better align with conditions reflective of specialty pharma market. • Over the last 8 quarters period, Adjusted EBITDA performance reflected the sequential QoQ increase in Valeo's revenues and gross profit, and control over OPEX. • Similar to Net Loss and EBITDA (Loss), expectation is that Adjusted EBITDA performance will return to improvement trend over the coming quarters – materializing positive sales momentum in core products Redesca, Enerzair and Atectura, and translating into incremental operating profit and contributing to Valeo reaching profitability.

LIQUIDITIES AND CAPITAL RESOURCES

			Change				*Change*	
	Q2-24	Q2-23	$	%	**YTD-24**	YTD-23	$	%
Operating Activities								
Net loss from operations	**(7,811)**	(6,477)	*(1,334)*	*21%*	**(14,683)**	(12,725)	*(1,958)*	*15%*
Other Items not affecting cash	**2,854**	2,562	*292*	*11%*	**4,890**	(6,858)	*11,748*	*-171%*
Changes in non-cash working capital	**1,642**	3,389	*(1,747)*	*-52%*	**8,109**	8,108	*1*	*0%*
Cash used by operations	**(3,315)**	(526)	*(2,789)*	*530%*	**(1,684)**	(11,475)	*9,791*	*-85%*
Investing activities								
Cash used by investing activities	**1,287**	(237)	*1,524*	*-643%*	**1,512**	(413)	*1,925*	*-466%*
Financing Activities								
Cash (used) provided by financing activities	**(840)**	(205)	*(635)*	*310%*	**(380)**	(398)	*18*	*-5%*
Foreign exchange loss (gain) on cash	**173**	133	*40*	*30%*	**(60)**	(96)	*36*	*-38%*
Increase (decrease) in cash	**(2,695)**	(835)	*(1,860)*	*223%*	**(612)**	(12,382)	*11,770*	*-95%*
Cash, beginning of the period	**9,585**	10,954	*(1,369)*	*-12%*	**7,502**	22,501	*(14,999)*	*-67%*
Cash, end of period	**6,890**	10,119	*(3,229)*	*-32%*	**6,890**	10,119	*(3,229)*	*-32%*

	Q2-24 vs Q2-23
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 Q2-24 was $3.3 million compared to $0.5 million cash used in Q2-23, a $2.8 million deterioration. The increase came from a $1.7 million decrease in non-cash working capital partly offset by $1.3 million deterioration in net loss from operations.
Cash used in investing activities	• Cash generated by investing activities shows $1.5 million improvement from Q2-23 $0.2 million use to $1.3 million generated in Q2-24, essentially driven by sale of a non-core asset for net proceeds of $1.5 million.
Cash provided by financing activities	• Cash used in financing activities of $0.8 million essentially driven by decrease of debt $0.6 million and Royalty payment $0.2 million. Balance of variance associated to repayment of interest and lease liabilities. *(see notes 9 and 15 of Financial Statements)*
	• During Q2-24 financing activities used net cash of $0.8 million compared to $0.2 million use for the corresponding prior year period.

Related Party Transactions

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

	Q2-24	Q2-23	**YTD-24**	YTD-23
Key management salary and benefits	**365**	325	**820**	1,047
Directors and employee stock option compensation	**47**	228	**241**	747
Consulting fees paid to a corporation controlled by an officer	**45**	79	**114**	154
Interest on convertible debentures owed to key management, officers and directors	**8**	8	**16**	16
Interest on convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**46**	46	**92**	92
Service income	**2**	23	**6**	23
Interest on advance from a shareholder	**17**	-	**34**	-

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

	April 30, 2024	October 31, 2023
Amounts owed to key management, officers and directors		
Expenses incurred in the normal course of business	**-**	1
Convertible debentures	**253**	244
Accrued interest on convertible debentures	**12**	11
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,468**	1,416
Accrued interest on convertible debentures	**71**	52
Advance from shareholders	**580**	580
Accrued interest on advance from a shareholder	**46**	12
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**104**	96
Amounts owed from Chief Executive Officer		
Advance to Chief Executive Officer	**100**	49

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 three-month period ended April 30, 2024, the Corporation incurred a net loss of $7,811 and cash used in operations of $3,315. As at April 30, 2024, the Corporation had a working capital deficit of $40,014. 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.

Liquidities

			Change	
As at	**Q2-24**	YE-23	*$*	*%*
Cash	**6,890**	7,502	*(612)*	*-8%*
Trade and other receivables	**5,611**	6,565	*(954)*	*-22%*
Inventory	**6,606**	10,246	*(3,640)*	*-5%*
Prepaid expenses and deposits	**1,304**	930	*374*	*-33%*
Revolving credit facility	**3,167**	2,794	*373*	*24%*
Accounts payables and accrued liabilities	**16,345**	11,416	*4,929*	*43%*
Provisions	**4,667**	4,188	*479*	*21%*
Working Capital	**(40,014)**	4,969	*(44,983)*	*-905%*

Cash at the end of Q2-24 stood at $6.9 million as compared to $7.5 million at the start of the year, representing a $0.6 million decrease. Working capital deficit at the end of Q2-24 stood at $40.0 million compared to $5.0 million surplus at end of Q4-23 representing a $45.0 million decrease.

Recognizing the need to fund operations and inventory requirements, over the course of FY-24, Valeo continued leveraging the existing credit facilities implemented late into FY-23. In addition, Valeo also proceeded to monetize specific secondary assets via disposal of base business brands. The transaction completed in February contributed net proceeds of $1.5 million – to be used in supporting working capital.(See "Q2-24 Highlights" and "Subsequent Events").

With operating margins (outside Xiidra) trending upward and continued OPEX improvements, management team expects operating requirements to declining sequentially. Over the last 2 fiscal years, capital was secured to fund the in-licensing of additional growing commercial assets as well as to fund the growth of new Respirology/Allergy and Ophthalmology business units. (See "Business Overview").

Going forward, strategic intent is to optimize use of cash reserves and prioritize access to capital while focusing commercial ambitions on 5 assets expected to capture opportunities in respective markets: Redesca, Enerzair, Atectura, Simbrinza and Allerject. In this mindset, near term go-to-market and ensuing efforts to be arbitrated on cash-generation and short-term return on investment.

Q2-24 presents a return to trend established prior to Q4-23 with quarterly revenue and adjusted gross profit performance. Looking ahead, management expects the growing contribution of core products to materially impact revenues and gross profit going forward. Valeo is determined to reach EBITDA profitability in the near future by leveraging commercial potential of current product portfolio and applying relentless focus to operations. Leveraging existing commercial assets and footprint, optimizing scale via acquisition of additional product rights immediately contributing to results, is of the upmost importance for Valeo's management to reach EBITDA profitability over the coming year.

Opportunity to Accelerate growth and profitability through Business Development and Licensing

While increasing its operating costs, the implementation of an expanded commercial and head office infrastructure in FY-21, has provided Valeo significant leverage to support the growth of its current fast growing commercial assets, but also significant opportunity to accelerate its growth and profitability via further in-licensing of new assets without adding material SG&A. Valeo is currently in advanced discussions with several parties to continue improving product portfolio via new assets whether by in-licensing or other types of arrangements. This strategy remains aligned to further leverage Valeo's infrastructure and materially impact Corporation's profitability.

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 to continue leveraging existing commercial infrastructure and seeking near immediate cash accretive returns.

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 April 30, 2024, a 5% increase/decrease in the USD/CAD and the EUR/CAD exchange rates would have a $2,030 (2023 - $1,747) and $13 (2023 - nil) impact on net loss and equity.

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

	April 30, 2024		October 31, 2023	
As at	**Foreign currency**	**CDN equivalent**	Foreign currency	CDN equivalent
Cash - USD	**5,083**	**6,986**	5,027	6,974
Trade and other receivables - USD	**118**	**163**	430	597
Revolving credit facility - USD	**3,367**	**4,629**	1,500	2,081
Accounts payable and accrued liabilities - USD	**2,578**	**3,544**	1,317	1,827
Accounts payable and accrued liabilities - EUR	**173**	**255**	9	13
Long-term debt - USD	**28,797**	**39,584**	27,823	38,603

(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. Revolving credit facility, convertible debenture 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 April 30, 2024, 88% (2023 – 92%) of trade accounts receivables were current and three customers accounted for 79% (2023 – 77%) 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 April 30, 2024	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	3,202	-	-	-	**3,202**
Accounts payable, accrued liabilities, and provisions	9,251	1,266	7,968	-	**18,485**
Lease liabilities	20	37	164	2,240	**2,461**
Convertible debentures, including interest	-	750	27,500	-	**28,250**
Advance from a shareholder, including interest	-	-	-	626	**626**
Long-term debt, including interest and exit fees	1,559	-	19,708	40,236	**61,502**
	14,032	**2,053**	**55,340**	**43,102**	**114,526**

As at October 31, 2023	Less than 30 days	30 days to 3 months	3 months to 12 months	More than 12 months	Total
Revolving credit facility	2,841	-	-	-	2,841
Accounts payable, accrued liabilities, and provisions	3,469	3,952	5,906	-	13,327
Lease liabilities	20	41	170	2,352	2,583
Convertible debentures, including interest	300	750	2,550	25,750	29,350
Advance from a shareholder, including interest	-	-	-	592	592
Long-term debt, including interest and exit fees	1,393	160	6,723	60,575	68,851
	8,043	4,944	15,519	91,059	119,564

(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 April 30, 2024, 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 April 30, 2024, 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 three-month period ended April 30, 2024, 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 April 30, 2024. 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 June 13, 2024, Valeo had 98,657,427 Common Shares outstanding. In addition, a total of 47,664,645 Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Valeo, and comprised of:

i. 21,739,132 Common Shares issuable upon conversion of the Convertible Debentures,
ii. 19,768,413 Common Shares issuable upon exercise of Warrants,
iii. Nil 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. 5,761,250 Common Shares issuable upon exercise of Options (assuming full vesting).

Interim Condensed Consolidated Financial Statements

(Unaudited)

Valeo Pharma Inc.

April 30, 2024
Second quarter fiscal year 2024

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

Valeo Pharma Inc.

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

As at	*Notes*	**April 30, 2024**	October 31, 2023
ASSETS			
Current			
Cash		**6,890**	7,502
Trade and other receivables	*4*	**5,611**	6,565
Inventories	*5*	**6,606**	10,246
Prepaid expenses and deposits		**1,304**	930
Total current assets		**20,411**	25,243
Property and equipment	*6*	**1,545**	1,588
Right of use assets	*7*	**1,017**	1,076
Intangible assets	*8*	**11,600**	13,300
Total assets		**34,573**	41,207
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Revolving credit facility	*9*	**3,167**	2,794
Accounts payable and accrued liabilities	*10*	**16,345**	11,416
Provisions	*11*	**4,667**	4,188
Lease liabilities	*12*	**61**	69
Convertible debentures	*13*	**23,438**	-
Current portion of long-term debt	*15*	**12,747**	1,807
Total current liabilities		**60,425**	20,274
Lease liabilities	*12*	**1,306**	1,335
Convertible debentures	*13*	**-**	22,368
Advance from a shareholder	*14*	**626**	592
Long-term debt	*15*	**26,837**	36,796
Defined benefit obligations		**248**	179
Total liabilities		**89,442**	81,544
SHAREHOLDERS' EQUITY			
Share capital	*16a*	**31,826**	31,696
Warrants	*16e*	**2,967**	2,967
Contributed surplus		**4,689**	4,582
Equity component of convertible debentures		**2,989**	2,989
Accumulated other comprehensive loss		**(393)**	(307)
Deficit		**(96,947)**	(82,264)
Total shareholders' equity (deficit)		**(54,869)**	(40,337)
Total liabilities and shareholders' equity		**34,573**	41,207

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

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

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars, except for share and per share information)
For the three- and six-month periods ended April 30, 2024 and 2023

		Three months ended April 30,		Six months ended April 30,	
	Notes	**2024**	2023	**2024**	2023
Revenues		**14,129**	13,558	**27,668**	26,720
Cost of goods sold	*18*	**11,239**	9,473	**22,520**	19,237
Gross Profit		**2,890**	4,085	**5,148**	7,483
Expenses					
Sales and marketing	*19*	**4,576**	4,807	**9,301**	9,298
General and administrative	*20*	**1,517**	1,008	**2,994**	2,362
Medical affairs and regulatory	*21*	**642**	844	**1,367**	1,740
Share based compensation	*16b,c,d*	**47**	228	**241**	747
Total operating expenses		**6,782**	6,887	**13,903**	14,147
Operating loss		**(3,892)**	(2,802)	**(8,755)**	(6,664)
Other expenses (income)					
Financial, net	*22*	**4,697**	3,886	**7,315**	6,369
Realized gain on derivative warrant liability		**-**	(211)	**-**	(308)
Other income	*23*	**(778)**	-	**(1,387)**	-
Total other expenses		**3,919**	3,675	**5,928**	6,061
Net loss for the period		**(7,811)**	(6,477)	**(14,683)**	(12,725)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations		**(3)**	(2)	**2**	1
Defined benefit plan, net actuarial loss		**(88)**	(148)	**(88)**	(148)
Total comprehensive loss for the period		**(7,902)**	(6,627)	**(14,769)**	(12,872)
Loss per share:					
Basic and diluted		**(0.08)**	(0.08)	**(0.17)**	(0.15)
Weighted average number of shares outstanding		**98,675,427**	83,745,778	**86,153,456**	83,682,708

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars)

For the six-month periods ended April 30, 2024 and 2023

						Accumulated Other Comprehensive Loss			
	Notes	**Share Capital**	**Warrants**	**Contributed surplus**	**Equity component convertible debenture**	**Defined benefit plan**	**Foreign exchange translation**	**Deficit**	**Total**
Balance as at October 31, 2022		26,359	2,926	4,410	3,114	(163)	(38)	(54,456)	(17,848)
Net loss		-	-	-	-	-	-	(12,725)	(12,725)
Other comprehensive loss		-	-	-	-	(148)	1	-	(147)
Share based compensation		157	-	590	-	-	-	-	747
Convertible debentures converted	*13b*	934	-	-	(125)	-	-	-	809
Balance as at April 30, 2023		27,450	2,926	5,000	2,989	(311)	(37)	(67,181)	(29,164)
Balance as at October 31, 2023		**31,696**	**2,967**	**4,582**	**2,989**	**(267)**	**(40)**	**(82,264)**	**(40,337)**
Net loss		-	-	-	-	-	-	(14,683)	**(14,683)**
Other comprehensive loss		-	-	-	-	(88)	2	-	**(86)**
Share-based compensation	*16b,c,d*	-	-	241	-	-	-	-	**241**
Settlement of share-based awards	*16c*	35	-	(35)	-	-	-	-	**-**
Withholding taxes on share-based settlement, current period		(4)	-	-	-	-	-	-	**(4)**
Withholding taxes on share-based settlement, prior period	*16c*	99	-	(99)	-	-	-	-	**-**
Balance as at April 30, 2024		**31,826**	**2,967**	**4,689**	**2,989**	**(355)**	**(38)**	**(96,947)**	**(54,869)**

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
(All amounts in thousands of Canadian dollars)
For the three- and six-month periods ended April 30, 2024 and 2023

		Three months ended April 30,		Six months ended April 30,	
	Notes	**2024**	2023	**2024**	2023
OPERATING ACTIVITIES:					
Net loss from operations		**(7,811)**	(6,477)	**(14,683)**	(12,725)
Adjustments:					
Depreciation and amortization	*6,7,8*	**637**	628	**1,289**	1,245
Share based compensation	*16b,c,d*	**47**	228	**241**	747
Interest expense	*22*	**1,725**	1,124	**3,049**	2,304
Interest in the form of royalty	*15,22*	**182**	177	**350**	343
Estimate revision on interest in the form of royalty	*15,22*	**(32)**	-	**36**	-
Defined benefit pension plan expense		**(8)**	(10)	**(19)**	(30)
Unrealized loss (gain) on foreign exchange		**938**	547	**(307)**	(87)
Realized gain on derivative warrant liability		**-**	(211)	**-**	(308)
Write down of inventories	*18*	**143**	79	**1,251**	96
Gain on disposal of intangible assets	*23*	**(778)**	-	**(999)**	-
Net change in non-cash working capital	*17*	**1,642**	3,389	**8,108**	(3,060)
Cash used by operating activities		**(3,315)**	(526)	**(1,684)**	(11,475)
INVESTING ACTIVITIES:					
Acquisition of property and equipment	*6*	**(40)**	(237)	**(90)**	(338)
Acquisition of intangible assets	8	**-**	-	**-**	(75)
Proceeds on disposal of intangible assets	*8*	**1,327**	-	**1,602**	-
Cash provided (used) by investing activities		**1,287**	**(237)**	**1,512**	**(413)**
FINANCING ACTIVITIES:					
Increase (decrease) in revolving credit facility	*9*	**(564)**	-	**116**	-
Principal repayment of lease liabilities	*12*	**(60)**	(57)	**(120)**	(107)
Repayment of interest in the form of royalty	*15*	**(176)**	(148)	**(327)**	(291)
Financing fees	*13,15*	**(40)**	-	**(49)**	-
Cash provided by financing activities		**(840)**	(205)	**(380)**	(398)
Foreign exchange gain (loss) on cash		**173**	133	**(60)**	(96)
Decrease in cash		**(2,695)**	(835)	**(612)**	(12,382)
Cash, beginning of period		**9,585**	10,954	**7,502**	22,501
Cash, end of period		**6,890**	10,119	**6,890**	10,119

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

Valeo Pharma Inc. ("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 unaudited interim condensed consolidated financial statements of the Corporation have been prepared for the six-month period ended April 30, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and were approved and authorized for issuance by the Corporation's Board of Directors on June 13, 2024. These unaudited interim condensed consolidated financial statements do not include all the information required for full disclosure in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2023 as they follow the same accounting policies and methods of application.

Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the unaudited interim condensed consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the six-month period ended April 30, 2024, the Corporation incurred a net loss of $14,683 and used cash in operations of $1,684. As at April 30, 2024, the Corporation had a working capital deficit of $40,014. 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 unaudited interim condensed consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

Basis of Consolidation

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

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

Basis of Measurement

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

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

2. Summary of Significant Accounting Policies – cont'd

Change in Accounting Policy – Reclassification of Distribution Costs and Profit Sharing

In accordance with IFRS Accounting Standards, the Corporation has reviewed its accounting policies related to the classification of certain costs within the consolidated financial statements. Upon careful assessment, the Company has determined that reclassifying distribution costs, and royalty and profit sharing from operating expenses to cost of goods sold provides a more appropriate presentation of these expenses and better reflects the nature of the costs incurred in relation to the distribution and sale of goods.

Effective November 1st, 2023, the Company has reclassified distribution costs, and royalty and profit sharing as part of the cost of goods sold in the consolidated statement of loss and comprehensive loss. The change in accounting policy is applied retrospectively from the beginning of the earliest comparative period presented in these financial statements.

The change in accounting policy regarding distribution costs is made to better reflect the nature of distribution costs directly attributable to direct labor and direct costs related to warehouse operations. The change in accounting policy regarding profit sharing is made to better reflect the nature of the royalties paid to the Corporation's partners under certain licensing or distribution agreements. These royalties and profit sharing are intricately linked to the commercialization and sale of goods, as they are contingent upon the volume and net selling price of the product per their respective licensing agreement. By shifting these costs to Cost of Goods Sold, we accurately capture their direct correlation to the commercialization process and their impact on the cost structure.

Comparative figures presented for the three and six-month periods ended April 30, 2023 have been restated to reflect the reclassification of distribution, and royalty and profit-sharing from operating expenses to cost of goods sold. The impact of these adjustments on the comparative consolidated financial statement is as follows:

	Three months ended April 30, 2023			Six months ended April 30, 2023		
	as previously reported	Reclassification	as restated	as previously reported	Reclassification	as restated
Cost of goods sold	9,112	361	**9,473**	18,545	692	**19,237**
Gross Profit	4,446	(361)	**4,085**	8,175	(692)	**7,483**
Expenses						
Sales and marketing	4,800	7	**4,807**	9,291	7	**9,298**
General and administrative	1,349	(341)	**1,008**	2,972	(610)	**2,362**
Medical affairs and regulatory	847	(3)	**844**	1,743	(3)	**1,740**
Royalty and profit sharing	24	(24)	**-**	86	(86)	**-**
Total operating expenses	7,248	(361)	**6,887**	14,839	(692)	**14,147**

This disclosure note provides transparency regarding the change in accounting policy regarding the classification of distribution costs, and royalty and profit sharing and ensures that users of the consolidated financial statements understand the reasons for the change and its impact on the consolidated financial statements.

3. Use of Estimates and Judgements

The preparation of the unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2023 audited annual consolidated financial statements and are still applicable for the six-month period ended April 30, 2024.

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

4. Trade and Other Receivables

As at	**April 30, 2024**	October 31, 2023
Trade and other receivables	**5,428**	6,421
Sales taxes receivables	**183**	144
	5,611	6,565

5. Inventories

As at	**April 30, 2024**	October 31, 2023
Finished goods	**6,606**	10,233
Raw material	**-**	13
	6,606	10,246

6. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Total**
Cost as at October 31, 2023	1,194	772	607	2,573
Additions	-	90	-	90
Cost as at April 30, 2024	**1,194**	**862**	**607**	**2,663**
Accumulated depreciation as at October 31, 2023	301	420	264	985
Depreciation	49	55	29	133
Accumulated depreciation as at April 30, 2024	**350**	**475**	**293**	**1,118**
Net carrying value as at April 30, 2024	**844**	**387**	**314**	**1,545**

7. Right of Use Assets

	Building	**Other**	**Total**
Cost as at October 31, 2023 and April 30, 2024	1,199	105	1,304
Accumulated depreciation as at October 31, 2023	181	47	228
Depreciation	45	14	59
Accumulated depreciation as at April 30, 2024	**226**	**61**	**287**
Net carrying value as at April 30, 2024	**973**	**44**	**1,017**

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

8. Intangible Assets

	Submission costs	License fees	Software	Total
Cost as at October 31, 2023	2,400	14,786	75	17,261
Disposal	(1,000)	-	-	(1,000)
Cost as at April 30, 2024	**1,400**	**14,786**	**75**	**16,261**
Accumulated amortization as at October 31, 2023	799	3,143	19	3,961
Amortization	99	985	13	1,097
Disposal	(397)	-	-	(397)
Accumulated amortization as at April 30, 2024	**501**	**4,128**	**32**	**4,661**
Net carrying value as at April 30, 2024	**899**	**10,658**	**43**	**11,600**

9. Revolving Credit Facility

	Six months ended April 30, 2024	Year ended October 31, 2023
Opening balance	**2,794**	-
Increase in revolving credit amount	**116**	2,744
Interest expense	**298**	46
Transaction costs	**-**	(49)
Transaction costs amortization	**12**	2
Foreign exchange difference	**(53)**	51
Balance as at end of period	**3,167**	2,794

As at April 30, 2024, the revolving credit facility has a net aggregate amount of $3,202 under the Facility. Amounts that are drawn are denominated in USD $3,367 in US dollars ($4,629 in Canadian dollars) while the Canadian-denominated is in a debit balance $(1,427) in Canadian dollars. This debit position reflects an overdrawn balance in the CAD account under the Facility.

10. Accounts Payable and Accrued Liabilities

As at	April 30, 2024	October 31, 2023
Trade accounts payable	**8,537**	3,992
Other accounts payable and accrued liabilities	**5,226**	5,026
Accrued interest	**2,527**	2,277
Payables to related parties	**55**	121
	16,345	11,416

11. Provisions

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

	Product returns	Pricing rebates and chargebacks	Cash discounts	Total
Balance as at October 31, 2023	650	3,448	90	4,188
Charges	-	6,057	517	6,574
Utilization and reversal	(30)	(5,546)	(519)	(6,095)
Balance as at April 30, 2024	**620**	**3,959**	**88**	**4,667**

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

12. Lease Liabilities

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

	Six months ended April 30, 2024	Year ended October 31, 2023
Opening balance	**1,404**	1,165
Lease addition	**-**	301
Interest expense	**83**	162
Lease payments	**(120)**	(224)
Balance as at end of period	**1,367**	1,404
Which consists of		
Current lease liabilities	**61**	69
Non-current lease liabilities	**1,306**	1,335

13. Convertible Debentures

	Notes	Six months ended April 30, 2024	Year ended October 31, 2023
Opening balance		**22,368**	21,075
Transaction costs		**(9)**	-
Transaction costs amortization		**239**	370
Accretion expense	*a*	**840**	1,691
Conversion into shares	*b*	**-**	(768)
Balance as at end of period		**23,438**	22,368
Which consists of			
Current convertible debentures		**23,438**	-
Non-current convertible debentures		**-**	22,368

a. During the six-month period ended April 30, 2024, all convertible debentures incurred interest of $2,340 included in financial expense on the consolidated statement of loss. This amount includes an accretion expense of $840.

As at April 30, 2024, a total of $1,150 is included in accrued interest on the consolidated statement of financial position.

During the year ended October 31, 2023, all convertible debentures incurred interest of $4,725 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $1,691.

As at October 31, 2023, a total of $850 is included in accrued interest on the consolidated statement of financial position.

b. During the year ended October 31, 2023, $768 of convertible debentures issued in February 2020 and March 2020, $125 of equity component and $41 of interest payable were converted into $934 of share capital.

14. Advance from a Shareholder

	Six months ended April 30, 2024	Year ended October 31, 2023
Opening balance	**592**	-
Increase in advance from shareholder	**-**	580
Accrued interest	**34**	12
Balance as at end of period	**626**	592

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

15. Long-term Debt

	Notes	**Six months ended April 30, 2024**	Year ended October 31, 2023
Opening balance		**38,603**	39,201
Transaction costs		**(40)**	(57)
Transaction costs amortization		**188**	340
Accretion expense	*a*	**1,104**	2,005
Interest in the form of royalty, net of payment		**23**	(7)
Estimate revision on interest in the form of royalty	*b*	**36**	(3,593)
Foreign exchange difference		**(330)**	714
Balance as at end of period		**39,584**	38,603
Classified as current liability		**12,747**	1,807
Classified as long-term liability		**26,837**	36,796

a. During the six-month period ended April 30, 2024, the debt incurred interest of $3,860 included in financial expense on the consolidated statement of loss. This amount includes an accretion expense of $1,104.

As at April 30, 2024, a total of $1,377 is included in accrued interest on the consolidated statement of financial position.

During the year ended October 31, 2023, the debt accrued interest of $7,281 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $2,005.

As at October 31, 2023, a total of $1,427 is included in accrued interest on the consolidated statement of financial position.

b. As at April 30, 2024, the Corporation adjusted the carrying value of the long-term debt by $36 to reflect the actual royalty during the period and the updated forecast of future royalties as compared to the initial estimate. This amount is classified within financial expenses in the consolidated statement of loss.

16. Share Capital and Other Equity Instruments

a) Share Capital

The Authorized Share Capital is composed of an Unlimited number of Class "A" shares, voting, participating with no par value. The issued and outstanding share capital is as follows:

	Notes	**Number**	**$**
Balance as at October 31, 2022		82,190,348	26,359
Conversion of debentures	*13b*	1,936,797	934
Settlement of share-based awards		250,926	157
Balance as at April 30, 2023		84,378,071	27,450
Balance as at October 31, 2023		**98,634,068**	**31,696**
Settlement of share-based awards	*16c*	57,089	35
Withholding tax on share-based settlement, current period		(15,730)	(4)
Withholding tax on share-based settlement, prior period		-	99
Balance as at April 30, 2024		**98,675,427**	**31,826**

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

b) Share Option Issuance and Compensation Expense

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

Changes in outstanding options were as follows:

	Six months ended April 30, 2024		Year ended October 31, 2023	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of period	**6,523,888**	**$0.58**	7,287,222	$0.82
Granted	**300,000**	**$0.28**	1,675,000	$0.61
Forfeited	**(482,500)**	**$0.66**	(1,721,667)	$1.30
Cancelled/expired	**(580,139)**	**$0.46**	(716,667)	$1.34
Options outstanding, end of period	**5,761,249**	**$0.57**	6,523,888	$0.58
Options exercisable, end of period	**4,214,583**	**$0.57**	3,973,472	$0.54

821,250 options vested during the six-month period ended April 30, 2024 (2023 – 363,750).

The following options were granted in the six months ended April 30, 2024:

Number	**Notes**	**Date of grant**	**Expiry date**	**Exercise price**	**Fair value**
300,000	i	November 20, 2023	November 20, 2030	$0.28	$0.09

i) Vest 33% on first three anniversary date of grant

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. The RSUs rise and fall in value based on the market price of the Corporation's shares and are redeemable for actual shares. Fair value of RSUs equals the market price of the shares on the date of grant.

	Six months ended April 30, 2024		Year ended October 31, 2023	
	Number	**Weighted Average Market Price**	Number	Weighted Average Market Price
RSUs outstanding, beginning of period	**57,089**	**$0.61**	681,229	$0.95
Granted	**-**	**-**	26,786	$0.56
Redeemed	**(57,089)**	**$0.61**	(650,926)	$0.96
RSUs outstanding, end of period	**-**	**-**	57,089	$0.61

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

d) Deferred Stock Units (DSUs)

On January 27, 2023, the Shareholders of the Corporation approved the implementation of a DSU equity incentive plan (the "DSU Plan"), which provides for the granting to directors, officers, employees and consultants of the Corporation ("Recipient") non-transferable Restricted Share Units, Performance Share Units, Deferred Share Units, or Other Share-Based Awards, or any combination thereof (the "DSU Awards"). The purpose of this DSU Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Recipients. DSUs are acquired at the date of grant and are redeemed by the issuance of shares at a date to be determined by the Recipient, provided that such date must occur between (a) the date of Separation from Service and (b) December 31 of the calendar year commencing after the Separation from Service. "Separation from Service" occurs upon (i) termination or resignation (ii) retirement or (iii) death, of the Recipient. Fair value of DSUs equals the market price of the shares on the date of grant.

During the six-month period ended April 30, 2024, nil DSUs were granted.

As at April 30, 2024, 395,850 DSUs were outstanding and redeemable with a weighted average price of $0.56.

e) Warrants

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

	Six months ended April 30, 2024		Year ended October 31, 2023	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Warrants outstanding, beginning of period	**19,768,413**	**$0.89**	12,768,418	$1.19
Issued	**-**	**-**	6,999,995	$0.35
Warrants outstanding, end of period	**19,768,413**	**$0.89**	19,768,413	$0.89

17. Other Cash Flow Information

Net change in non-cash working capital

	Three months ended April 30,		**Six months ended April 30,**	
	2024	2023	**2024**	2023
(Increase) decrease in	**(476)**	(2,507)	**954**	(1,135)
trade and other receivables	**2,956**	825	**2,389**	(3,670)
inventories	**(684)**	(196)	**(374)**	1,645
prepaid expenses and deposits				
Increase (decrease) in	**228**	5,982	**4,660**	534
accounts payable and accrued liabilities	**(382)**	(715)	**479**	(434)
	1,642	3,389	**8,108**	(3,060)

18. Cost of Goods Sold

	Three months ended April 30,		**Six months ended April 30,**	
	2024	2023	**2024**	2023
Finished goods	**9,940**	8,204	**18,993**	16,824
Freight, storage and handling fees	**282**	330	**546**	633
Write down of inventories	**143**	79	**1,251**	96
Amortization of intangible assets	**492**	493	**985**	986
Distribution	**326**	343	**653**	612
Depreciation of right of use assets	**2**	-	**5**	-
Royalty and profit sharing	**54**	24	**87**	86
	11,239	9,473	**22,520**	19,237

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

19. Sales and Marketing Expenses

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Employee compensation	**3,129**	3,474	**6,072**	6,528
Sales expenses	**859**	710	**1,656**	1,299
Marketing expenses	**581**	617	**1,439**	1,227
Samples	**-**	-	**121**	238
Amortization of intangible assets	**7**	6	**13**	6
	4,576	4,807	**9,301**	9,298

20. General and Administrative Expenses

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Employee compensation	**524**	351	**1,186**	1,150
Administrative expenses	**900**	610	**1,627**	1,100
Depreciation of property and equipment	**68**	43	**133**	85
Depreciation of right of use assets	**27**	27	**54**	50
Service income	**(2)**	(23)	**(6)**	(23)
	1,517	1,008	**2,994**	2,362

21. Medical Affairs and Regulatory Expenses

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Employee compensation	**372**	455	**738**	891
Patient support programs	**17**	191	**146**	213
Advisory boards and other expenses	**237**	177	**435**	589
Amortization of intangible assets	**41**	59	**99**	118
Service income	**(25)**	(38)	**(51)**	(71)
	642	844	**1,367**	1,740

22. Financial, net

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Interest on debentures	**750**	1,010	**1,500**	1,528
Effective interest on debentures	**557**	352	**1,079**	699
Interest on long-term debt	**1,377**	1,043	**2,756**	2,525
Effective interest on long-term debt	**651**	678	**1,292**	1,357
Interest in the form of royalty	**182**	177	**350**	343
Estimate revision on interest in the form of royalty	**(32)**	20	**36**	39
Interest on revolving credit facility	**161**	-	**310**	-
Interest on advance from shareholder	**17**	-	**34**	-
Lease interest	**41**	42	**83**	79
Bank and other interest	**107**	11	**177**	11
Bank charges	**8**	6	**15**	18
Foreign exchange loss (gain)	**924**	575	**(242)**	(125)
Interest income	**(46)**	(28)	**(75)**	(105)
	4,697	3,886	**7,315**	6,369

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

23. Other Income

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Sale of material associated to asset transfer	**-**	-	**388**	-
Gain on disposal of intangible assets	**778**	-	**999**	-
	778	-	**1,387**	-

24. Related Party Transactions

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

	Three months ended April 30,		Six months ended April 30,	
	2024	2023	**2024**	2023
Key management salary and benefits	**365**	325	**820**	1,047
Directors and employee stock option compensation	**47**	228	**241**	747
Consulting fees paid to a company controlled by an officer	**45**	79	**114**	154
Interest on convertible debentures owed to key management, officers and directors	**8**	8	**16**	16
Interest on convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**46**	46	**92**	92
Service income	**2**	23	**6**	23
Interest on advance from a shareholder	**17**	-	**34**	-

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

As at	**April 30, 2023**	October 31, 2023
Amounts owed to key management, officers and directors		
Expenses incurred in the normal course of business	**-**	1
Convertible debentures	**253**	244
Accrued interest on convertible debentures	**12**	9
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,468**	1,416
Accrued interest on convertible debentures	**71**	52
Advance from a shareholder	**580**	580
Accrued interest on advance from a shareholder	**46**	12
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**104**	96
Amounts owed from Chief Executive Officer		
Advance to Chief Executive Officer	**100**	49

25. Financial Instruments

Short-term financial instruments, comprising cash, trade and other receivables, revolving credit facility, accounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates their fair value. Long term financial instruments consisting of lease liabilities, convertible debentures, advance from a shareholder and long-term debt are accounted for at amortized cost using the effective interest rate method, which approximates their fair value based on current interest rate for instruments with similar terms and remaining maturities. 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. There were no transfers between levels during the period. The three levels are defined as follows:

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

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

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

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

25. Financial Instruments – *cont'd*

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

26. Financial Risk Factors

(a) Market Risk

(i) Currency Risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation has an investment in a U.S. subsidiary however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at April 30, 2024, a 5% increase/decrease in the USD/CAD and the EUR/CAD exchange rates would have a $2,030 (2023 - $1,747) and $13 (2023 - nil) impact on net loss and equity.

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

	April 30, 2024		October 31, 2023	
As at	**Foreign currency**	**CDN equivalent**	Foreign currency	CDN equivalent
Cash - USD	**5,083**	**6,986**	5,027	6,974
Trade and other receivables - USD	**118**	**163**	430	597
Revolving credit facility - USD	**3,367**	**4,629**	1,500	2,081
Accounts payable and accrued liabilities - USD	**2,578**	**3,544**	1,317	1,827
Accounts payable and accrued liabilities - EUR	**173**	**255**	9	13
Long-term debt - USD	**28,797**	**39,584**	27,823	38,603

(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. Revolving credit facility, convertible debenture 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 three 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 and all receivables under 90 days for VPI.

As at April 30, 2024, 88% (2023 - 92%) of trade accounts receivables were current and three customers accounted for 79% (2023 - 77%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

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

26. Financial Risk Factors – *cont'd*

(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 April 30, 2024	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	**3,202**	**-**	**-**	**-**	**3,202**
Accounts payable, accrued liabilities, and provisions	**9,251**	**1,266**	**7,968**	**-**	**18,485**
Lease liabilities	**20**	**37**	**164**	**2,240**	**2,461**
Convertible debentures, including interest	**-**	**750**	**27,500**	**-**	**28,250**
Advance from a shareholder, including interest	**-**	**-**	**-**	**626**	**626**
Long-term debt, including interest and exit fees	**1,559**	**-**	**19,708**	**40,236**	**61,502**
	14,032	**2,053**	**55,340**	**43,102**	**114,526**

As at October 31, 2023	Less than 30 days	30 days to 3 months	3 months to 12 months	More than 12 months	Total
Revolving credit facility	2,841	-	-	-	2,841
Accounts payable, accrued liabilities, and provisions	3,469	3,952	5,906	-	13,327
Lease liabilities	20	41	170	2,352	2,583
Convertible debentures, including interest	300	750	2,550	25,750	29,350
Advance from a shareholder, including interest	-	-	-	592	592
Long-term debt, including interest and exit fees	1,393	160	6,723	60,575	68,851
	8,043	4,944	15,519	91,059	119,564

(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 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 April 30, 2024, the Corporation is not subject to any externally imposed capital requirements.

27. 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.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2024	102
2025	206
2026	206
2027	206
2028	206
2029-2034	1,481
Total	**2,407**

(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 April 30, 2024, management estimates the likelihood of paying such milestones to be remote.

Royalty and profit sharing (note 18):

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 5% to 17% of net profits as defined in the respective agreement.

28. Subsequent events

(i) In May 2024, the Company confirmed that the effective date of termination regarding the XIIDRA partial termination agreement previously entered into was set at May 30, 2024, rather than the date of the marketing authorization transfer.

(ii) On June 13, 2024, the Corporation announced the restructuring of its commercial field operations aimed at reducing its operating expenses, aligning its commercial infrastructure with current market dynamic and accelerating its path to profitability. The cost reduction measures are affecting approximately 20% of the workforce and part of a total decrease in operating expenses of more than $5 million on an annualized basis.