Financial Report

Second Quarter - Fiscal Year 2021

April 30, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of Valeo Pharma Inc. ("Valeo" or the "Corporation") for the second quarter ended April 30, 2021. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the quarter ended April 30, 2021 which have been prepared in accordance with *International Financial Reporting Standards*. All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands. This discussion and analysis was prepared by management from information available as at June 29, 2021. Further information about Valeo Pharma Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

The non-IFRS measures included in this MD&A are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Despite the importance of these measures to management in goal setting and performance measurement, we stress that these are non-IFRS measures that may have limits in their usefulness to investors.

We use non-IFRS measures, such as EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. We also use non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The definition and reconciliation of EBITDA and Adjusted EBITDA used and presented by the Corporation to the most directly comparable IFRS measures follow below:

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

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

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial

COGS	Cost of Goods Sold (or Cost of Sales)
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
S&M	Sales and Marketing
SBC	Share-Based Compensation
SG&A	Sales General and Administrative
FY-21	Fiscal Year 2021
FY-20	Fiscal Year 2020
Q2-21	Second quarter FY-21
Q1-21	First quarter FY-21
Q4-20	Fourth quarter FY-20
Q3-20	Third quarter FY-20
Q2-20	Second quarter FY-20
Q1-20	First quarter FY-20
Q4-19	Fourth quarter FY-19
Q3-19	Third quarter FY-19
QoQ	Current year quarterly results vs last year's quarterly results
YE-20	Year-end 2020, October 31, 2020
YTD	Year to date
YoY	Current FY results vs last FY results
W/C	Working Capital, defined as short-term assets less short-term liabilities

Corporate & Operations

Biosimilar	Biologic drug that is highly similar to a biologic drug.
COVID-19	Mild to severe respiratory illness caused by a coronavirus
CSE	Canadian Securities Exchange
CTA	Clinical Trial Application with Health Canada
DIN	Drug Identification Number
FDA	United States Food and Drug Administration
FSE	Frankfurt Stock Exchange
GDUFA	Generic Drug User Fee Act in the USA
GPO	Group Purchase Organization
HC	Health Canada
ICS	Inhaled Corticosteroid
INESSS	Quebec's Institut National d'Excellence en Santé et Services Sociaux
KAM	Key Account Manager
KOL	Key Opinion Leader
LABA	Long-Acting Beta2 Agonist
LAMA	Long-Acting Muscarinic Antagonist
LMWH	Low Molecular Weight Heparin
MHI	Montreal Heart Institute
NDS	New Drug Submission with Health Canada
OTCQB	U.S. over-the-counter venture market
pCPA	pan-Canadian Pharmaceutical Alliance
PD	Parkinson's Disease
PLA	Product listing agreement
PMPRB	Patented Medicine Prices Review Board
RAMQ	Régie de l'assurance maladie du Québec
SKU's	Stock Keeping Units
VPI	Wholly owned subsidiary of Valeo focussed on the commercialization of generic products

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

The Corporation is a specialty pharmaceutical company which sources, acquires or in-licenses brand and generic products for sale in Canada. Valeo's business objective is to become an anchor Canadian healthcare Corporation by focusing on the commercialization of innovative products that improve patient lives and support healthcare providers. The Corporation has two wholly owned subsidiaries: VPI Pharmaceuticals Inc., located within the Corporation's premises in Kirkland, Québec, which specializes in the development and commercialization of generic products and Valeo Pharma Corp. located in the United States.

Valeo's business model consists of acquiring the exclusive Canadian rights to regulatory approved or late-stage development products, either through acquisitions, long-term in-licensing or distribution agreements with pharmaceutical companies that do not have a presence in Canada and then providing all of the services required to register, to reimburse and to commercialize these pharmaceutical products in Canada. Preferences are for products that are already approved in other territories such as the United States, Europe, or Asia and also for innovative products addressing major unmet medical needs. Some of these products may require up-front, regulatory and or commercial stage milestone payments and all require regulatory approval from *Health Canada* prior to commercialization.

Following the signing of the commercialization and supply agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") on March 26, 2021 (See "Corporate Highlights") for the Canadian rights to Enerzair® Breezhaler® and Atectura® Breezhaler®, two innovative asthma products, the Corporation has reorganized itself into (2) distinct business units ("BU"), plus the hospital generics division, all supported by head office functions. The first BU will focus on the Respiratory therapeutic area with an immediate focus on the commercialization of the licenced asthma products, while the second BU will focus on Thrombosis, Neurology, Oncology and other specialty products, with an immediate focus on the commercialization of the Redesca™, Onstryv®, M-Eslon® and Yondelis® as its main brands. Therapeutic areas are selected based on market potential (size and growth prospects), competitive landscape, and resource requirements needed to reach the target audience and execute our commercialization strategy.

As of the date of this document, the Corporation had 75 full time employees compared to 38 at the end of the prior quarter, including a team of 40 pharmaceutical representatives and medical science liaison staff. Valeo maintains a dedicated warehousing space in Kirkland, Quebec to handle all the inventory requirements for Canada. Valeo has recently expanded its head office and warehouse. The facility now totals 20,767 square feet including warehouse space, three licensed narcotics vaults, the capability to handle cold chain requirements and shipping needs. There is ample space in our warehouse to facilitate the addition of several new products to our growing Canadian portfolio. Valeo also operates a sophisticated SAP enterprise resource planning system and possesses the in-house expertise

to handle all activities associated with regulatory, quality control, supply chain, commercial and medical, and pharmacovigilance. The ability to handle such a broad range of activities has been a key factor in our successful in-licensing activities and acquisition of third-party product rights for Canada.

With the recent launches of Redesca™ in Q2-21 in April 2021, and of Enerzair® Breezhaler® and Atectura ® Breezhaler® in June 2021, the contribution of new products added throughout the past 12 months and the continued growth and contribution of products added to our portfolio over prior periods, we expect the Respiratory and Specialty products BU to materially impact our financial performance over the coming years.

At the end of Q2-21, Valeo's product portfolio included eleven (11) commercial stage products as well as two (2) products in pre-pre-launch or regulatory stage.

BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory Business Unit			
Enerzair® Breezhaler® (Commercial Agreement)	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	Approved by HC in Q2/Q3-20. The Canadian maintenance asthma market is estimated at $700M and growing annually by 2-3%. Valeo entered into a Commercialization & Supply Agreement for the products in Q2-21. Initiatives to have the products included for provincial reimbursement across Canada have commenced and should be completed in the first part of Calendar 2022. Private insurance coverage initiatives have also commenced with 80% coverage to date. Commercial launch took place in June 2021. The products will be supported by a dedicated team of sales professionals.
Atectura® Breezhaler® (Commercial Agreement)	LABA/ICS dual combination asthma drug.		
Specialty Products Business Unit			
Redesca™ (Distribution Agreement)	LMWH - Anticoagulant biosimilar used to treat and prevent deep vein thrombosis and pulmonary embolism.	Shenzhen Techdow Pharmaceuticals Co., Ltd.	Redesca™ has been commercialized in Canada since April 15, 2021 and supported by a dedicated salesforce of key account managers. The Canadian market for LMWH exceeds $200M on an annual basis (Source: IQVIA, 2019). Redesca™ has more than 8 years of proven in-market safety internationally and more than 150 million patient days treated in Europe alone. Valeo received notice of a positive recommendation by INESSS to the Quebec Health Minister (the "Minister") for the inclusion of Redesca™ on the list of drugs covered by RAMQ and has entered into a PLA with the Executive Officer of the Ontario Public Drug Program. Additional PLAs are under negotiations.
Onstryv® (License)	Idiopathic PD as an add-on for patients on stable dose of Levodopa (L-dopa) alone or in combination with other drugs, to help with "off" episodes.	Zambon S.p.A.	Onstryv® has been marketed since Q3-19 and is expected to reach peak sales within 3-5 years post launch. The product has broad distribution across Canada. On February 6th 2020, Valeo received notice of a positive recommendation by INESSS for the inclusion of Onstryv® on the list of drugs covered by the RAMQ. Quebec public listing is foreseen but still pending.
M-Eslon (Distribution Agreement)	Extended-release morphine sulphate used for pain management.	Ethypharm Inc.	The Company is distributing the product and is recording sales on a gross basis.
Yondelis® (license)	Soft tissue sarcoma	PharmaMar S.A.	Marketed since August 2020.
Hesperco™	Bioflavonoid antioxidant used for immune support	Co-developed with Ingenew Pharma Inc. ("Ingenew")	During FY-20, the Corporation initiated the formulation development and manufacturing of Hesperco. The product is commercially available since October 2020 on-line as well as through Amazon Canada. Hesperco is expected to be available at most Canadian retailers in 2021. US launch is planned for 2021. The Montreal Heart Institute is currently conducting a clinical trial to test the efficacy of Hesperco in the treatment of symptoms related to Covid-19. The in-life portion of the trial has been completed with results expected during the summer of 2021.
Ametop™ Gel 4%	For skin Anesthesia prior to venepuncture or venous cannulation	Alliance Pharma	Marketed since Q4-20.
Hospital Generic Division			
Benztropine (Distribution)	VPI-Anticholinergic agent used for the treatment of PD	Asia/Pacific Generic Manufacturer	Marketed in Canada since Q4-18,hospital specialty distribution.
Ethacrynate Sodium	Loop diuretic for high blood pressure and associated swelling	Owned by Valeo worldwide except for Italy	Marketed in Canada since Q3-18 and in the United States since Q4-20 via a US-based distribution partner.

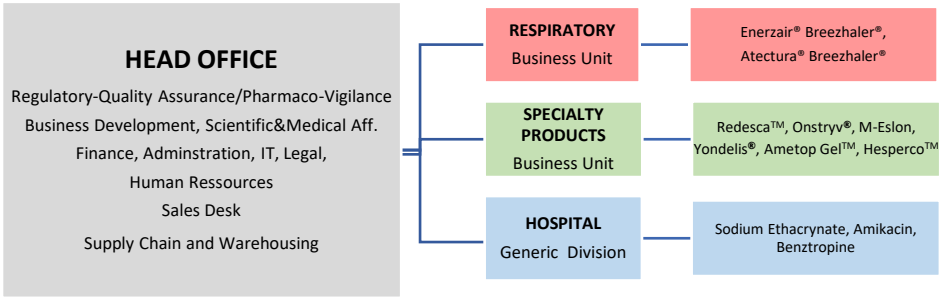
Amikacin	Injectable Antibiotic	European Generic Manufacturer	Approved by Health Canada in 2020. Commercialization has started in Q2-21.
Pip-Tazo *(Piperacillin/ tazobactam)*	Injectable Antibiotic	European Generic Mfg.	Approved by HC, manufacturing and supply of the API and finished products have been impacted by the Covid-19 outbreak. Valeo expects to launch the product before the end of FY-22.
Undisclosed Hospital Product #1	Injectable Antifungal	Undisclosed	The Corporation has acquired the Canadian rights to this product not yet approved by HC. The Product has been filed with HC with approval expected in Q4-21 with sales expected to commence mid-2022.

Valeo continues to search for innovative products within its targeted areas of focus and maintains active business development activities to achieve this goal. Our experienced management team has a long and proven track record of successfully sourcing, developing, and commercializing drugs in a variety of therapeutic areas at all stages of their life cycle in Canada.

The regulatory environment is such that the average timeline from commencing the registration process to receiving marketing approval ranges from 12-18 months. In circumstances where a product has an existing DIN, the time between the signing of the license and the start of commercialization is approximately 6-9 months. Valeo possesses all the required expertise to manage all aspects relative to the filing, registration, as well as successfully launching the products currently in its pipeline.

The recent creation of the two BU and the ongoing integration of a dedicated sales team to support the respective commercial efforts of key products within our portfolio will create significant operating leverage over the coming years as we continue to add strategic assets to each BU and take full advantage of our new corporate structure and commercial platform.

The following presents a summary of our new corporate and commercial structure which should be fully operational before YE-21.



Q2-2021 Results Overview

Our Q2-21 results include the favorable YoY impact of new commercial stage products launched during the latter part FY-20 such as Ametop Gel, Yondelis®, and Sodium Ethacrynate launched in the US. These products have already begun impacting of revenues without adding SG&A expenses. This is part of our strategy to expand our commercial pipeline and help drive profitability going forward.

In addition to the favourable impact of the recent product addition, our Q2-21 results also reflect the addition of Redesca™ one of 3 transformative products Valeo has launched since the start of FY-21.

Redesca™ - a transformative product for Valeo.

Following the HC approval of Redesca™ in December 2020, we have successfully launched the product during the last month of Q2-21. Due to the size of the commercial opportunity, and the significant pricing benefits offered to GPO's and for provincial public reimbursement, we have experienced rapid demand for Redesca™ and meaningful contribution to our Q2-21 quarterly results.
Over the coming quarters we expect continued sequential market share gains for Redesca™.
The following will contribute to fuel market demand for the product over the coming quarters/years:

i. Dedicated sales team highly experienced Key Account Managers to cover all Canadian provinces.
ii. Establishment of a high-profile KOL network.
iii. Hired consultants to secure accelerated market access with public and private payors (80% private coverage in place)
iv. PLA's to be implemented with all Canadian provinces to facilitate public access and reimbursement at retail levels. Today, PLA's are signed with the provinces of Ontario, Alberta, New Brunswick, PEI, NF and other federal plans.
v. GPO agreements to ensure penetration of the Hospital market. .

The above listed activities and related costs as well one-time non-recurrent expenses such as recruitment fees and on-boarding of key personnel and KOL's have impacted our operating results for the first six-months of 2021. The unique opportunity to position Redesca™ as the LMWH of choice across Canada warrants early investments and staff commitments that will be highly rewarded in the short and medium term.

Enerzair® Breezhaler® and Enerzair® Breezhaler® - Leading Valeo into the large, established and growing asthma market.

During the last completed quarter, Valeo entered into a Commercial and Supply Agreement with Novartis for the Canadian commercialization by Valeo of two innovative asthma therapies, Enerzair® Breezhaler® and Enerzair® Breezhaler®. Both products offer compelling therapeutic benefits over the current standard of care.

Close to 4 million Canadians are living with asthma, a serious health issue affecting all age groups and 39% of asthma patients remain uncontrolled, despite available medications, primarily due to low adherence, treatment misuse and poor inhaler technique. The market opportunities for innovative medicines in asthma are significant and Valeo is well position to take full advantage of the favorable market dynamics.

The new Respiratory business unit was recently created to take full advantage of this opportunity and recent changes were also made to the organization in order to support its expanding sales organization.

i. Senior corporate positions have been created for HR, IT, Market Access and Scientific & Medical Affairs. Several positions have been filled with the remaining hirings to be completed by end of Q3-21.
ii. Expansion of the warehouse and office space at head office (*to be completed in Q3-21*)
iii. New Respiratory Business Head hired (*Q3-21*)
iv. Hiring of 7 Regional Sales manager to supervise detailing of the products in each province across Canada (Q3-21)
v. Hiring of Specialty Sales force for targeting respiratory specialists and hospitals (*ongoing - target completion Q3-21)*
vi. Hiring sales representative targeting general practitioners involved in asthma management across Canada *(ongoing - target completion Q3-21)*
vii. Establishment of pan-Canadian KOL network and hiring of 4 Respirology MSL's to support medical efforts.

The above along with greater acquisition of real-time market data to support and monitor our commercialization efforts will set the stage for significant quarterly sequential market gains starting Q3-21.

The Corporation announced the launch of Enerzair® Breezhaler® and Enerzair® Breezhaler® on June 22, 2021 with products available across all Canadian provinces and territories.

Hesperco™ – now being tested by MHI for the reduction of Covid-19 related symptoms and problems.
Concurrent with the decision by the MHI to initiate a clinical trial in Q1-21 to evaluate the ability of hesperidin, the medicinal ingredient in Hesperco™ capsules, to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients, we have implemented a series of commercial initiatives aimed at promoting Hesperco™ through various sales channels. Those initiatives include:

i. Active social media advertising
ii. Hired consultants to support our commercial team and secure shelf space and listings with major Canadian retailers
iii. Amazon Canada and Amazon US launch initiatives
iv. Development and launch of a dedicated website and on-line selling platform
v. Development and print of in-store marketing material
vi. Active web marketing through various specialized platforms such as MD Briefcase and other health professional channels

The in-life portion of the clinical trial has been completed and we expect MHI to announce the results of the Hesperidin clinical trial before the end of Q3-21. Assuming favourable results of the MHI study, we expect Hesperco's commercial performance to accelerate from its nominal contribution in the last completed quarter.

In addition to the above-described activities, we will continue to implement initiatives aimed at increasing our short term and our medium-term revenues and to improve our revenue mix and the margins derived from our product sales.

Q2-21 CORPORATE HIGHLIGHTS

Financial Results

Q2-21 vs Q2-20

- Record revenues of $2.65 million, up 27% compared to $2.1 million
- 25% revenue contribution from products launched over last 12 months
- Gross Margin of $0.7 million up 43% compared to $0.5 million.
- Net loss of $1.9 million compared to $0.9 million.
- EBITDA Loss at $1.5 million, compared $0.6 million.
- Adjusted EBITDA Loss at $1.1 million compared to $0.6 million

YTD-21 vs YTD-20

- Revenues up 20% at $4.5 million compared to $3.8 million.
- 20% revenue contribution from products launched over last 12 months
- Gross Margin up 34% at $1.1 million, compared to $0.8 million.
- Net loss of $3.6 million compared to $2.0 million.
- EBITDA Loss at $2.9 million as compared $1.6 million.
- Adjusted EBITDA Loss at $2.2 million compared to $1.5 million

Products

- On February 17, 2021, the Corporation announced that the Montreal Heart Institute initiated a clinical trial to evaluate the ability of hesperidin, the medicinal ingredient in Hesperco™ capsules, to reduce the severity of symptoms and the need for hospitalization in COVID-19 patients. Hesperidin interferes and inhibits 2 key proteins of SARS-CoV-2 responsible for the infection of healthy cells, suggesting that hesperidin may disrupt the replication rate of the virus and enable infected patients to build natural immunity. Hesperidin's safety profile and immune-modulatory activity make it a highly promising molecule to intervene at various stages of the COVID-19 infection process.
- On March 29, 2021, the Corporation announced that it had entered into a Commercial and Supply Agreement (the "Agreement") with Novartis Pharmaceuticals Canada Inc. ("Novartis") for the Canadian commercialization by Valeo of two innovative asthma therapies, ENERZAIR® BREEZHALER® (indacaterol, glycopyrronium and mometasone furoate) and ATECTURA® BREEZHALER® (indacaterol and mometasone furoate). Under the Agreement, Valeo will be responsible for medical and commercial activities for ENERZAIR® BREEZHALER® and ATECTURA® BREEZHALER® for an initial 8-year period. At present, almost 4 million Canadians are living with asthma, a serious health issue affecting all age groups. Patients with severe asthma live in fear of potential exacerbations which remain highly prevalent even with today's most advanced therapies. These exacerbations are concerning because of their associated mortality burden and because of the increased risk of side effects from the chronic use of systemic corticosteroids at high dose. Furthermore, there is growing evidence highlighting the lack of symptom control currently achieved in asthma. Globally, 39% of asthma patients remain uncontrolled, despite available dual LABA/ICS medications, primarily due to low adherence, treatment misuse and poor inhaler technique. There is an urgent need to add effective maintenance treatment options to address symptoms as well as asthma related long-term complications and mortality more efficiently (Source: Buhl R et al. Respiratory Medicine 2020).
- On April 15, 2021, the Corporation announced that it had commenced commercial shipments across Canada of Redesca™ and Redesca HP™, its LMWH biosimilar
- On April 28, 2021, the Corporation announced that it had entered into a Product Listing Agreement ("PLA") with the Executive Officer of the Ontario Public Drug Program for the listing of Redesca™ and Redesca HP™, on the Ontario Drug Benefit Formulary effective April 30, 2021.

Other Corporate and Operating Highlights

- On April 27, 2021, the Corporation announced the closing of a $6.645 million non-brokered private placement of unsecured non-convertible debenture units (the "Private Placement"). The Company issued 6,645 unsecured non-convertible debentures units (the "Debenture Units") at a purchase price of $1,000 per Debenture Unit for gross proceeds of $6,645,000. Each Debenture Unit consist of one (1) unsecured non-convertible debenture of the Company in the principal amount of $1,000 (each, a "Debenture") and 200 Class "A" share purchase warrants (each, a "Private Placement Warrant"). Each Private Placement Warrant entitles the holder thereof to purchase one Class "A" Share of the Company (each, a "Share") at an exercise price of $1.60 at any time up to 24 months following the closing date of the Offering. The Debentures will mature at the latest 9 months after the closing of the Offering and bear interest at a rate of 8% per annum from the date of issue, payable in cash, semi-annually in arrears. Each Private Placement Warrant may be repriced should the Corporation issue similar warrants at a lower price before maturity of the Debentures.

Subsequent to the end of the quarter

- On May 13, 2021, the Corporation issued a letter of guarantee for $1,100 in favour of Novartis Pharmaceutical Canada Inc. maturing March 26, 2022. The letter of guarantee covers the Corporation's financial obligations in relations to a supply agreement executed on March 26, 2021. As at April 30, 2021 the outstanding obligations under letter of guarantee were $151 related to a trade payable due July 7, 2021.
- On May 21, 2021, the Corporation amended its lease to extend the term from August 31, 2024 to August 31, 2029, and to increase the lease space by 4,023 square-feet. As a consequence of the amendment, the annual obligations under the lease increased by $67. A tenant inducement of $185 was granted by the landlord to the Corporation to fund a portion of the leasehold improvements.
- On June 22, 2021, the Corporation announced that it started commercializing Enerzair® Breezhaler® and Atectura® Breezhaler® across Canada following the deployment of its dedicated national respiratory sales force.
- On June 29, 2021, the Corporation announced the closing of brokered offering of 10,000,000 units (the "Units") at a price of $1.00 per Unit (the "Unit Price") along with the full exercise of the Underwriters' over-allotment option of 1,500,000 additional Units at the Unit Price for aggregate gross proceeds of $11.5 million (the "Offering"). The Units were sold on a bought deal basis pursuant to an underwriting agreement dated June 14, 2021, with a syndicate of underwriters led by Research Capital Corporation and including Paradigm Capital Corporation Inc., and Desjardins Securities Inc. Each Unit consisted of one common share ("Share") of the Corporation and one Share purchase warrant (each whole warrant, a "Unit Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Company at a price of $1.25 for a period of 36 months after the closing of the Offering.

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, 2021, unaudited interim condensed consolidated financial statements.

Consolidated Statements of Loss

	Q2-21	Q2-20	Change		**YTD-21**	YTD-20	Change	
	$	$	$[1]	%[2]	**$**	$	$[1]	%[2]
Net Revenues	**2,647**	2,081	566	27%	**4,508**	3,765	743	20%
Cost of Sales	**1,938**	1,586	352	22%	**3,414**	2,948	466	16%
Gross Margin	**709**	495	214	43%	**1,094**	817	277	34%
Gross margin % to net revenues	***27%***	*24%*	*3%*	*13%*	***24%***	*22%*	*2%*	*9%*
Expenses								
Sales and Marketing	**1,079**	516	563	109%	**1,907**	1,136	771	68%
General and Administrative	**1,008**	721	287	40%	**2,037**	1,502	535	36%
Share Based Compensation	**309**	42	267	636%	**414**	75	339	452%
Profit Sharing	**1**	3	(2)	-67%	**1**	3	-2	-67%
Total Operating Expenses	**2,397**	1,282	1,115	87%	**4,359**	2,716	1,643	60%
Operating Loss	**(1,688)**	(787)	(901)	114%	**(3,265)**	(1,899)	(1,366)	72%
Other Expenses (income)								
Financial expense	**213**	128	85	66%	**406**	192	214	111%
Other income	**(34)**	(53)	19	-36%	**(78)**	(121)	43	-36%
Total Other Expenses	**179**	75	104	139%	**328**	71	257	362%
Net loss for the period	**(1,867)**	(862)	(1,005)	117%	**(3,593)**	(1,970)	(1,623)	82%
Other comprehensive loss								
Exchange differences on translating foreign operations	**6**	(7)	13	186%	**11**	(8)	19	-238%
Defined benefit plan, net actuarial loss	**-**	(40)	40	-100%	**-**	(40)	40	-100%
Total comprehensive loss	**(1,861)**	(909)	(952)	105%	**(3,582)**	(2,018)	(1,564)	78%
Loss per Share (Basic and diluted)	**(0.03)**	(0.02)	(0.01)	-50%	**(0.06)**	(0.04)	(0.02)	-50%
Weighted average number of shares outstanding	**65,565,241**	56,659,423	8,905,818	16%	**65,039,982**	56,659,423	8,380,559	15%

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

	Q2-21 vs Q2-20	**YTD-21 vs YTD-20**
Net Revenues	• Net revenues represent sales of products based on Valeo's listed price less any recurrent and non-recurrent price adjustments or other deductions such as price adjustments for provincial PLA's, adjustments for tender agreements, price adjustments for GPO agreements, early payment cash discounts, or product returns. Some of our products are subject to provincial PLAs or other price adjustments while others not. For that reason, the mix of product sales will greatly influence our net revenues and ultimately our profitability.	
	• Net revenues in Q2-21 were up by 27% compared to Q2-20 at $2,647 compared to $2,081. The increase in net revenues was due to the strong contribution of new products launched over the past 12 months which represented 25% of Q2-21 net revenues including revenues from Yondelis®, Ametop Gel and Redesca™ which was launched in April 2021 a few weeks only before the end of the quarter but still generated meaningful revenues for the period.	• Net revenues for YTD-21 were up by 20% compared to YTD-20 at $4,508 compared to $3,765. The increase in net revenues was due to the contribution of new products launched over the past 12 months which represented 20% of YTD-21 net revenues including revenues from Yondelis®, Ametop Gel, Sodium Ethacrynate (US) and Redesca™ which was launched in Q2-21.
Gross Margin $ and Gross Margin %	• Gross Margins represents net revenues less COGS which varies depending on the mix of our product revenues. Our COGS includes the supply or manufacturing price for products sold, royalties on sales as well as the amortization of product rights. (See Balance Sheet highlights for commentaries on Intangible Assets).	

	• Cost of Sales as a % revenues varies significantly from product to product. Branded products or products owned by Valeo will have lower COGS % than hospital-based products we commercialize for our partners. Historically, the bulk of our product revenues were derived from M-Eslon which is a low margin (higher transfer price) product for us. As the contribution of M-Eslon to our overall revenues decreases over time from the addition of new more profitable products, our gross margin % will trend toward towards 50% of net revenues.	
	• Due to the addition of revenues from new branded products such as Yondelis®, Ametop Gel, Redesca as well as the QoQ growth in Onstryv sales, our gross margin ratio for Q2-21 has improved by 13% compared to Q2-20 at 27% vs 24% of product revenues. The 3% net increase in gross margin ratio combined with the 27% increase in net revenues contributed to a 43% increase in our gross margin for Q2-21 at $709 compared to $495 for Q2-20. • Note that we were anticipating a greater gross margin contribution for the quarter due to the mix or product revenues but higher than expected gross to net sales adjustments have had a negative impact on our margins which still ended up significantly above the corresponding Q1-21 results.	• For the 6 months YTD-21 period, our gross margin % has improved by 9% as compared to the prior year period. The mix of revenues for the period contributed to increase our gross margins from 22% to 24% of net revenues. The combined impact of the improved revenue mix as well as growth in revenues led to a 34% increase in gross margin contribution for the YTD-21 as compared to YTD-20 at $1,094 vs $817.
S&M expenses	• As indicated earlier, Valeo commercializes Branded products that require S&M support, as well as hospital injectable products and M-Eslon, which require limited S&M commitments. Because S&M staff costs represents the bulk of the S&M expenses, those expenses will increase as we expand our sales force to support the launch of Redesca™, Enerzair® Breezhaler® and Atectura® Breezhaler® and other branded products.	
	• During the YTD-21 period, Valeo implemented a nation-wide sales force of 11 key account managers in anticipation of the launch Redesca™ in April 2021. Also, in Q2-21, the Corporation started hiring S&M staff following the licensing of Enerzair® Breezhaler® and Atectura® Breezhaler® from Novartis. These 2 factors contributed to increase our S&M expenses while net revenues from these new products have not yet reached their full potential.	
	• S&M expenses for Q2-21 were $1,079 or 41% of net revenues as compared to $516 or 25% of net revenues for Q2-20. • The 109% increase between the two reported periods in explained above. • The Q2-21 S&M expenses included $50 of non-recurrent hiring charges for the new S&M staff as compared to nil last year.	• S&M expenses for YTD-21 were $1,907 or 42% of net revenues as compared to $1,136 or 30% of net revenues for YTD-20. • The 68% increase between the two reported periods in explained above. • The YTD-21 S&M expenses included $175 of non-recurrent hiring charges for the new S&M staff as compared to nil last year.
G&A expenses	• Valeo's G&A expenses consist primarily of HO staff costs for our non-S&M team. This includes staff costs for administration, finance and accounting, business development, legal, regulatory, quality control, pharmaco-vigilance, supply chain, as well as IR expenses which can fluctuate significantly between quarters and depending on the IR initiatives implemented.	
	• The increase in G&A expenses for each of the Q2-21 and YTD-21 as compared to prior year periods, results from incremental IR expenses as well as the addition of HO personnel such as a new president and new staff required to support the strong growth anticipated in FY-21 and beyond. We expect to see further increase in HO staffing for the coming quarters following the creation of the 2 BU (See "Overview of the Business") but the new structure should be completed prior to the end of the FY-21 and to provide significant leverage thereafter. Consequently, G&A expenses as a % of net revenues should trend downward starting FY-22.	
	• G&A expenses for Q2-21 was $1,008 as compared to $721 for Q2-20, representing a 40% increase.	• G&A expenses for YTD-21 was $2,037 as compared to $1,502 for YTD-20, representing a 36% increase.
SBC expenses	• SBC expenses represent the costs relating to the issuance of stock options to new staff and board members and the vesting of same over time. • SBC expenses were $309 in Q2-21 compared to $42 in Q2-20. The increase was due to the hiring of a new president and COO as well as the addition of new HO staff positions.	
Financial expenses	• Financial expenses reflect the capital structure of the Corporation and include costs for issuing interest bearing debentures in lieu of issuing shares to finance our operations. The financial expenses also capture the costs for using our operating line of credit, as well as supplier financing, other financial charges and bank fees.	

	• Our financial expenses increased by 66% and 111% respectively for the quarter and YTD periods in FY-21 as compared to the prior year period. These increases were due to a series of debenture financings closed over past year. Valeo secured debenture financings of $2.2 million in Q2-20 and $1.7 million in Q4-20, as well as a $6.645 million non-convertible debenture financing in April 2021. These financings contributed to increase our financing costs from $128 in Q2-20 to $213 in Q2-21, and from $192 to $406 between the YTD-20 and YTD-21 periods.	
Other income	• Nominal variations between the periods. The Corporation continues to provide back-office, accounting, regulatory and other consulting services to third parties as a means of leveraging its staff's expertise. These revenues are expected to reduce over time as the Corporation's staff is fully allocated to support Valeo's activities.	
Net loss for the period	• Our net results for the last quarter and YTD period have been impacted by addition to S&M, and G&A staff and expenses required to position Valeo for a solid revenue growth in FY-21 and beyond. The creation of the 2 BUs, as well as expansion of Valeo's commercial and support staff is required to capitalize on the significant market opportunities for Redesca™, Enerzair® Breezhaler® and Atectura® Breezhaler® as well as to accelerate the growth of existing products such as Onstryv, Yondelis®, Hesperco as well as new products to be added overtime. We anticipate that the strong sequential quarterly growth of our net revenues and margins will contribute to lead Valeo toward profitability during the course of FY-22.	
	• Our net loss for Q2-21 increased by 117% compared to Q2-20 at $1,867 compared to $862. • The $1,005 increase in our net loss between the two quarters was due to the respective increase in S&M, SG&A, SBC and financial expenses which were only partly offset by the increase of our gross margins.	• Our net loss for YTD-21 increased by 82% compared to YTD-20 period at $3,593 compared to $1,970. • Same as for the QoQ analysis, the $1,623 increase was due to the respective increase in S&M, SG&A, SBC and financial expenses which were only partly offset by the increase of our gross margins.

EBITDA(L) Reconciliation

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

The following table provides a reconciliation of net loss to EBITDA(L) for Q2-21 as compared to Q2-20.

	Q2-21	**Q2-20**	*Change*		**YTD-21**	**YTD-20**	*Change*	
	$	$	*$[1]*	*%[1]*	**$**	$	*$[1]*	*%[2]*
Net Loss	**(1,867)**	(862)	(1,005)	117%	**(3,593)**	(1,970)	(1,623)	82%
Adjustments								
Income Taxes	**-**	-	-		**-**	-	-	
Interest Expense	**190**	119	71	60%	**356**	177	179	101%
Depreciation	**28**	25	3	12%	**55**	50	5	10%
Amortization	**122**	78	44	56%	**238**	157	81	52%
EBITDA Loss	**(1,527)**	(640)	(887)	139%	**(2,944)**	(1,586)	(1,358)	86%
Other Adjustments								
Share-Based Compensation	**309**	9	300	3333%	**414**	42	372	886%
Recruitment costs - new product launch	**50**	-	50	100%	**175**	-	175	100%
Other warrants/ options costs	**17**	-	17	100%	**98**	-	98	100%
Inventory Write-off	**14**	-	14	100%	**17**	-	17	100%
Adjusted EBITDA Loss	**(1,137)**	(631)	(506)	80%	**(2,240)**	(1,544)	(696)	45%

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

	Q2-21 vs Q2-20	**YTD-21 vs YTD-20**
EBITDA (Loss)	• Management believes that our EBITDA (Loss) performance is more indicative of the commercial progress achieved by the Corporation as it eliminates the financial costs associated with our financial structure and the amortization of prior investments in our product portfolio such as license fees and regulatory filings. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")	
	• EBITDA loss increased from $640 in Q2-20 to $1,527 in Q2-21, representing a 139% increase. The variance resulted from respective increase in S&M, SG&A, SBC expenses which were only partly offset by the increase in product revenues and improved revenue mix.	• EBITDA loss for the YTD periods increased from $1,586 in YTD-20 to $2,944 in Q2-21, representing a 86% increase. Same as for the QoQ analysis, the variance between the YTD periods resulted from respective increase in S&M, SG&A, SBC expenses

		which were only partly offset by the increase of our gross margins.
Adjusted EBITDA (L)	• Considering the significant impact of SBC expenses as well as non-recurrent items such as the cost of non-cash instruments to support IR initiatives, as well as the significant non-recurrent hiring cost related to the implementation of the Redesca™ and Respiratory salesforce, we believe that our Adjusted EBITDA is a better indicator of our performance and progress compared to prior periods – See below.	
	• Our Adjusted EBITDA (Loss) increased by $506 between Q2-20 and Q2-21 at $1,137 compared to $631. The 80% increase can be attributed to respective increase in S&M and G&A expenses which are required to position the Corporation for growth in FY-21 and beyond.	• Adjusted EBITDA (Loss) for the YTD-21 was $2,240 as compared to $1,544 for the YTD-20 period. The 45% increase can be attributed to respective increase in S&M and G&A expenses.

Consolidated Balance Sheet Highlights

As at,	**30-Apr-21**	31-Oct-20	Change	
	$	$	$	%
Cash and liquidities	**3,650**	2,836	814	29%
Trade and other receivables	**1,784**	1,220	564	46%
Inventory	**5,435**	881	4,554	517%
Total current assets	**11,401**	5,410	5,991	111%
Intangible assets	**6,855**	4,948	1,907	39%
Total assets	**18,850**	10,963	7,887	72%
Trade accounts payable	**6,677**	3,394	3,283	97%
Short term portion of Non-Convertible Debentures	**6,007**	-	6,007	100%
Total current liabilities	**13,725**	4,278	9,447	221%
Convertible debentures	**1,552**	1,504	48	3%
Non-Convertible debentures	**1,525**	1,463	62	4%
Total liabilities	**17,307**	7,894	9,413	119%
Share capital	**16,168**	15,024	1,144	8%
Warrants	**1,779**	1,333	446	33%
Contributed surplus	**1,985**	1,611	374	23%
Deficit	**(18,070)**	(14,477)	(3,593)	25%

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

	Q2-21 vs YE-20
Cash and liquidities	• Our cash balance stood at $3,650 at the end of Q2-21 as compared to $2,836 at YE-20 representing a 29% increase. Our Cash reserves have increase as a result of our successful $6.645 million private placement secured in April 2021, which helped Valeo cover the negative cash flows from operations but more importantly fund the significant increase in inventory (See Inventory below).
Trade and other receivables	• Trade and other receivables have increased between YE-20 and Q2-21 by $564 representing a 46% increase as a result of the successful launch of Redesca™ late during Q2-21 but also due to the 20% increase in sales between Q4-20 and Q2-21.
Inventory	• Our inventory will fluctuate between periods to reflect sales of products and the addition of new supplies required to support existing products or future product launches. Typical shelf life for pharmaceutical products is 18-36 months and for that reason, product requirements for new product launches can often last more than one year and will tend to negatively impact short term cash flows and working capital requirements. • During Q2-21 we secured our first batch of Redesca™ supplies in anticipation of the April 2021 launch. This contributed to a $4,554 increase in our inventory between YE-20 and the end of Q2-21.
Intangibles assets	• Intangible assets represent investments made in order to build our product pipeline. For assets owned by Valeo, such as Sodium Ethacrynate and Hesperco, intangible assets include formulation, R&D costs, regulatory and filings expenses. For other products acquired through licensing activities, intangible assets

	include costs to acquire product rights, regulatory fees and expenses as well as expenses to improve market access for these products. • Intangible assets are amortized using the straight-line method, over the remaining useful life of the asset (or license) starting when the product is ready for commercialization – typically when Valeo receives marketing approval and its first commercial product lot. • Intangible assets are tested annually for impairments as per IFRS Standards (IAS 38) to ensure the recoverable value of each assets exceeds its book-value. • Our intangible assets increased by $1,907 between YE-20 and the end of Q2-21. The increase included a $1.8 million license fee payable to Novartis following the signing of the Enerzair® Breezhaler® and Atectura® Breezhaler® licence plus legal fees. The balance of the increase included the addition for deferred charges related to regulatory and market access activities which qualify as intangibles, less amortization of deferred charges and licensing fees previously capitalized.
Total assets	• Total assets increased by 72% between YE-20 and Q2-21. The increase results mainly from the increase in Intangible and inventory discussed above.
Account payables	• Our accounts payables have increased by $3,283 between YE-20 and Q2-21 representing a 97% variation. • The increase in our trade payables included the supply costs for the Redesca™ inventory which was received in April 2021, and also reflected the payment earlier in FY-21 of a $650 license fee due to Zambon which was part of our payables at YE-20.
Short term portion of Non-Convertible Debentures	• The Corporation secured $6,645 worth of non-convertible debentures in Q1-21 to fund its operations as well as working capital requirements to support the launch of Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler®. These debentures will mature on January 27, 2022 or earlier should the Corporation secure in excess of $10 million from an equity financing, at which time holders of the debentures will have the option to seek accelerated reimbursement of to keep their debenture until maturity. • The $6,007 increase between YE-20 and the end of Q2-21 represents the face value of the debenture plus accrued interest less the value attributed to the warrants issued in connection with the issuance of the debentures.
Total current liabilities	• Our total current liabilities have increased by $9,447 between YE-20 and Q2-21 reflecting the increase in accounts payable described above as well as the value of the $6.645 non-convertible debenture financing closed in April with a 9-month maturity.
Convertible debentures	• The Corporation issued a total of $2,178 of convertible debentures during FY-20 (Gross proceeds). The net amount included deductions for the fair value allocation to the conversion option attached to the debentures as well as unamortized transactions costs. • The $48 increase between YE-20 and Q2-21 represents interest accrued.
Non-Convertible debentures	• The Corporation secured $1,700 worth of non-convertible debentures in Q3-20 to fund its operations as well as working capital requirements to support the launch of new products. These debentures will mature on July 10, 2022.
Total liabilities	• Our total liabilities have increased by $9,413 between YE-20 and Q2-21 reflecting the increase in trade payables and the issuance of the April 2021 non-convertible debentures.
Share Capital	• The $1,144 variance reflects the exercise of stock options, broker's compensation options, warrants and shares issued as compensation to a consultant.
Warrants	• The $446 variance reflects warrants issued upon exercise of broker's compensation options, less the fair value of warrants converted.
Contributed Surplus	• $74 increase relates to compensation options and stock-based compensation charged during Q2-21 as well as the cost for issuing options in exchange for IR services. $300 increase relates to the issue costs of convertible debentures.
Deficit	• Increase reflects the performance of the Corporation during the period – Statement of Loss

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q2-21	Q1-21	Q4-20	Q3-20	**Q2-20**	Q1-20	Q4-19	Q3-19
Revenues	**2,647**	1,861	2,215	1,490	**2,081**	1,684	1,256	2,569
Cost of Sales	**1,938**	1,476	1,778	1,363	**1,586**	1,362	1,115	1,689
Gross Margin	**709**	385	437	127	**495**	322	141	880
Gross Margin % to net sales	***27%***	*21%*	*20%*	*9%*	***24%***	*19%*	*11%*	*34%*
Expenses								
Sales and Marketing	**1,079**	828	475	513	**516**	620	708	335
General and Administrative	**1,008**	1,029	773	839	**721**	780	771	548
Share Based Compensation	**309**	105	232	162	**42**	34	97	111
Profit Sharing	**1**	-	(9)	23	**3**	-	-	-
Total operating expenses	**2,397**	1,962	1,471	1,537	**1,282**	1,434	1,576	994
Operating loss	**(1,688)**	(1,577)	(1,034)	(1,410)	**(787)**	(1,112)	(1,434)	(114)
Other expenses /(income)								
Financial expense	**213**	193	176	249	**128**	64	10	42
Other income	**(34)**	(44)	(34)	(44)	**(53)**	(68)	(51)	(64)
Total other expenses	**179**	149	142	205	**75**	(4)	(41)	(22)
Net loss for the period	**(1,867)**	(1,726)	(1,176)	(1,615)	**(862)**	(1,108)	(1,394)	(92)
EBITDA (Loss)	**(1,526)**	(1,417)	(880)	(1,271)	**(640)**	(1,006)	(1,303)	(37)
Adjusted EBITDA (Loss)	**(1,136)**	(1,103)	(486)	(705)	**(598)**	(973)	(1,206)	74

Notes	**Valuable information**
Revenues	• Our revenues in Q2-21 were up 42% compared to the prior Q1-21 quarter. The strong QoQ performance resulted from strong Q2-21 sales from most products within our portfolio but also included the contribution of Redesca™ which was launched prior to the end of Q2-21. The variance also resulted from the lower Q1-21 revenues which were impacted by the year-end cyclical slowdown which happens yearly through the pharmaceutical sector. • Revenues in Q3-19 were impacted by the strong pipeline-fill associated with the successful launch of Onstryv®.
Cost of Sales and Gross Margin	• Fluctuates with revenues as well as the mix of product sold. • Margins in Q2-21 were 6% greater than Q1-21 at 27% compared to 21%. The increase results from a better revenue mix for the quarter which included first quarter revenues for Redesca™. • Our gross margin contribution increased by 84% from Q1-21 to Q2-21 as a result of the increase in revenues combined with the increase in gross margin % between the 2 periods. • In Q3-19, our strong margins were due to the launch of Onstryv and the non-recurrent pipeline fill. • Cost of Sales also includes amortization of product rights previously capitalized as intangible assets. Such amortization starts upon the launch of the respective products. Amortization for the Onstryv® license fees stated in Q3-19 and currently represents $50 per quarter. Amortization of the Yondelis® license fees started in Q4-20.
S&M expenses	• S&M expenses have increased by 30% in Q2-21 compared to the prior quarter. As mentioned earlier, the addition of 11 new Redesca™ reps and the increase S&M activities to support the planned launch of Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® impacted our S&M expenses. • Since Q3-19 S&M expenses reflected the addition of a sales team to support the launch of Onstryv®, as well as incremental promotion for our expanding product pipeline. • Our salesforce can support several new products, and this should facilitate an improvement of our net results following the addition of new branded products. Also, VPI products require nominal S&M support.
G&A expenses	• G&A expenses represent mainly rent, legal, IRexpenses and salaries. While our G&A expenses had remained stable over prior periods, the new staff costs and increase in IR activities have led to a 33% in our G&A expenses in Q1-21 as compared to Q4-20. G&A expenses were flat in Q2-21 compared to Q1-21. Going forward, we anticipate further increase in our HO staffing and costs as we completed the required staff to support the growth of our commercial infrastructure and activities.
SBC expenses	• Represents the costs of issuing stock options. Fluctuation between quarters is due to the hiring of staff and addition of Board members as well as the vesting associated with issued options. The issuance and vesting of a large number of options issued to staff in Q2-21 and Q4-20 impacted the SBC expenses for those quarters.
Profit Sharing	• Starting Q2-20 the Corporation started accruing and paying amounts under profit-sharing arrangements. Such arrangements are meant to reduce the transfer price to be paid by Valeo and have the licensee and licensor share the commercial success of the products.

Financial expenses	• Our financial expenses fluctuate between quarters depending on the level of short term and long-term borrowing required to fund our operations. • The addition of convertible debentures in February and March 2020, as well as the non-convertible debentures issued in July 2020 and April 2021 has led to a sequential quarterly increase in our financial expense since the start of FY-20. Q3-20 Financial expenses also included increased use of our operating line of credit and arrangements with a few suppliers. • The financial expenses in Q4-19 were relatively low following the closing of a $3.1 million public offering prior to the end of the preceding quarter. Concurrent to the public offering outstanding loans and long-term loans were converted into units, and therefore eliminating interest-bearing liabilities.
Other (Income) expenses	• Fluctuates between periods based on the level of services rendered. The Corporation continues to provide back-office, regulatory and other consulting services as a mean of leveraging its staff's expertise.
Net loss	• Our net loss in Q2-21 increase 8% over the prior quarter due to respective increase in S&M, G&A, SBC, and financial expenses not fully covered by the increase in our gross margins. • We believe that in order to eliminate the impact of our debentures and several non-cash items, that the EBITDA (L) and Adjusted EBITDA(L) metrics to be more representative of our quarterly performance. (See EBITDA (L) and Adjusted EBITDA (L) below.) • We expect our net loss to reduce significantly over the coming quarters as we start experiencing revenues growth from the launch of new products and secure incremental market share for products already on the market.
EBITDA (Loss)	• EBITDA Loss (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") eliminates the impact of the CDU, ITC and other financings which reflect the Corporation's financing strategy adopted to attract the required capital to fund its operations. • Over the last 4 quarters our EBITDA results have been impacted by SBC expenses linked mainly to Covid-19 staff retention measures as well as new senior staff hires. • Similar to our net operating loss, over the last year our EBITDA loss has also been impacted by staff additions and associated expenses required to support the launch of new products. • We expect new products, including Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler® to have transformational impact on our profitability.
Adjusted EBITDA (Loss)	• Our Adjusted EBITDA (Loss) is a much better indicator of our progress over the last year. • Prior to the last quarter where results have been impacted by new S&M and G&A expenses required to prepare the Corporation for growth, our Adjusted EBITDA loss had been trending towards profitability prior to being. • Similar to our net loss and EBITDA (Loss), our Adjusted EBITDA performance will trend upward over the coming quarters as new products contribute to our revenues and gross margins. Most of the new products recently added and to be added in the coming year (except for Redesca™, Enerzair® Breezhaler®, Atectura® Breezhaler®) will require nominal SG&A. We expect a large portion of the additional gross margins to translate into incremental net margins, hence contributing to reduce/eliminate our Adjusted EBITDA loss.

LIQUIDITIES AND CAPITAL RESOURCES

	For the six-month period ended		Change	
	30-Apr-21	**30-Apr-20**	*$[1]*	*%[2]*
Operating Activities				
Net loss from operations	**(3,592)**	(1,970)	(1,622)	*82%*
Other Items not affecting cash	**1,036**	468	568	*121%*
Changes in non-cash working capital	**(1,733)**	(1,040)	(693)	*67%*
Cash used in operations	**(4,289)**	(2,542)	(1,747)	*69%*
Investing activities				
Cash (used) provided by investing activities	**(2,190)**	(354)	(1,836)	*519%*
Financing Activities				
Cash provided by financing activities	**7,398**	2,569	4,829	*188%*
Increase (decrease) in cash	**919**	(327)	1,246	*-381%*
Foreign exchange loss (gain) on cash	**(105)**	(8)	(97)	*1212%*
Cash, beginning of the period	**2,836**	335	*2,501*	*747%*
Cash, end of period	**3,650**	**0**	*3,650*	*100%*

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

	YTD-21 vs YTD-20
Cash used in operations	• Cash used in operations represents cash flows from operations, excluding income and expenses not affecting cash. • Cash used in operations was $4,289 in YTD-21 compared to $2,542 in YTD-20. The $1,747 increase came from a $1,622 increase in net loss and $693 increase in non-cash working capital, which were partially offset by the large increase in items not affecting cash for $568. • Items not affecting cash increased were due to the increased depreciation and amortization of intangible assets as well as the share-based compensation and non-cash impact of interest expenses on the debentures. • The increase in non-cash working capital items resulted mainly from the respective $564 and $4,554 increases in trade receivables and inventory which were only partially offset by the $3,283 increase in trade payables.
Cash used in investing activities	• Cash used by investing activities to acquire intangible assets during the period was $2,190 in YTD-21 as compared to $354 for YTD-20. Valeo carries many initiatives aimed at increasing the value of its licensed product portfolio, including 1) activities related to several product filings and interaction with HC, 2) in-licensing activities, as well as 3) activities for securing the listing and reimbursement of its approved products. We expect those activities to vary between periods and to continue over the next few years. • The $1,836 variance was mainly due to the $1.8 million license fee paid to Novartis on signing of the Enerzair® Breezhaler® and Atectura® Breezhaler® license.
Cash provided by financing activities	• During YTD-21, financing activities provided cash of $7,398 compared to $2,569 for the YTD-20 period. • During the YTD-21 period, Valeo secured $6,645 from the issuance of non-convertible debentures plus $972 from the exercise of warrants and options. During the corresponding YTD-20 period, Valeo secured $1,111 net cash from advances/commitments into the convertible debenture financing closed in Q2-20, as well as $1,530 increase in its operating loan.

Liquidity and Capital Resources

Going Concern

This MD&A have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging liabilities in the normal course of business for the foreseeable future. As reflected in the annual audited financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the six-month period ended on April 30, 2021, the Corporation incurred a net loss of $3,592, used cash in operations of $4,289 and had a negative working capital of $2,324 at the end of the period. This raises significant doubt about the Corporation's ability to continue as a going concern.

Accordingly, the ability of the Corporation to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing and ultimately on generating future profitable operations. Subsequent to the end of Q2-21, management was successful in raising additional capital to mitigate the working capital deficiency (*see Subsequent Events*).

Management anticipates that the commercialization of new products will provide incremental cash flow that could contribute to working capital requirements. There are no assurances that any of these initiatives will be successful. Factors within and outside the Corporation's control could have a significant bearing on its ability to obtain additional financing or on the generation of additional revenues.

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

Liquidities

			Change	
As at,	**30-Apr-21**	31-Oct-20	*$[1]*	*%[2]*
Cash	**3,650**	2,836	814	29%
Trade and other receivables	**1,784**	1,220	564	46%
Inventory	**5,435**	881	4,554	517%
Trade accounts payables	**6,677**	3,394	3,283	97%
Working Capital	**(2,324)**	1,132	(3,456)	(305)%

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

Following a series of successful financing in FY-20 and YTD-21 but also talking into consideration the $11.5 million (gross) financing secured on June 29th, 2021 (the "Offering"), we have secured significant capital to strengthen our balance sheet and cash position and provide liquidities to support the launch of our new Respirology franchise. Our working capital deficiency of $2,324 as at April 30, 2021 has been addressed by the net proceeds of the Offering. The proceeds from the various financings secured in FY-20 and YTD-21 have been used to address working capital requirements and provide liquidities to support the launch of new products and fund the corporation until it generates positive cash flows from operations which we expect to achieve during FY-22.

Entering into in-licensing agreements with pharmaceutical companies necessitates the payment of up-front amounts, milestone payments as well as all the costs normally associated with preparing for the launch of a pharmaceutical product. Going forward, Valeo intends to fund these in-licensing agreements with a combination of cash, cash from operations, equity provided by current and new shareholders, as well as convertible or non-convertible debt if required.

As funding requirements to acquire product rights vary widely depending upon the nature and potential of the product and the in-licensing agreement, the Corporation intends to seek funding on a project-by-project basis. Funding requirements for products under discussion vary from $ nil to $10 million. The Corporation anticipates that the commencement of additional product distribution agreements and other revenue contracts will provide significant incremental cash flow that will contribute to working capital requirements.

Also, the Corporation's recent initiatives related to product acquisition rights and regulatory filings have and will continue to drive a series of product launches over the coming year that will contribute incremental operating cash flows. Following the launch of Ametop, Yondelis®, Hesperco and Sodium Ethacrynate via a US distributor in FY-20, the Corporation now has 11 products contributing to its revenues including Redesca®, Enerzair® Breezhaler® and Enerzair® Breezhaler®, three transformative products launched in the current fiscal year. The contribution of these products is expected to materially impact both the Corporation's revenues and gross margins going forward, and consequently the Corporation anticipates reaching profitability in FY-22.

Interim Condensed Consolidated Financial Statements

(**Unaudited**)

Valeo Pharma Inc.

April 30, 2021
Second quarter fiscal year 2021

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 in thousands of Canadian dollars)

As at	Notes	April 30, 2021	October 31, 2020
ASSETS			
Current			
Cash		**3,650**	2,836
Trade and other receivables	*4*	**1,784**	1,220
Inventory	*5*	**5,435**	881
Prepaid expenses and deposits		**532**	473
Total current assets		**11,401**	5,410
Property and equipment	*6*	**350**	327
Right of use asset	*7*	**243**	278
Intangible assets	*8*	**6,855**	4,948
Total assets		**18,850**	10,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade accounts payables	*10*	**6,677**	3,394
Other accounts payables and accrued liabilities	*10*	**838**	616
Accrued interest on debentures		**105**	103
Provision for product returns		**31**	103
Lease liabilities	*11*	**67**	62
Non-convertible debentures	*13*	**6,007**	-
Total current liabilities		**13,725**	4,278
Convertible debentures	*12*	**1,552**	1,504
Non-convertible debentures	*13*	**1,525**	1,463
Lease liabilities	*11*	**198**	233
Defined benefit obligations		**307**	416
Total liabilities		**17,307**	7,894
SHAREHOLDERS' EQUITY			
Share capital	*14*	**16,168**	15,024
Warrants	*14*	**1,779**	1,333
Contributed surplus		**1,985**	1,611
Deficit		**(18,070)**	(14,477)
Accumulated other comprehensive loss		**(319)**	(422)
Total shareholders' equity		**1,543**	3,069
Total liabilities and shareholders' equity		**18,850**	10,963

Going concern (note 1); Related Party Transactions (note 19); Commitments (note 23); Subsequent events (note 24)

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

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars, except for share and per share amounts)
For the three- and six-month periods ended April 30, 2021 and 2020

		Three months ended April 30		Six months ended April 30	
	Notes	**2021**	2020	**2021**	2020
Revenues		**2,647**	2,081	**4,508**	3,765
Cost of Goods Sold		**1,938**	1,586	**3,414**	2,948
Gross Profit		**709**	495	**1,094**	817
Expenses					
Sales and marketing	*16*	**1.079**	516	**1,907**	1,136
General and administrative	*17*	**1,008**	721	**2,037**	1,502
Share based compensation	*13*	**309**	42	**414**	75
Profit Sharing		**1**	3	**1**	3
Total operating expenses		**2,397**	1,282	**4,359**	2,716
Operating loss		**(1,688)**	(787)	**(3,265)**	(1,899)
Other expenses/(income)					
Financial	*18*	**213**	128	**406**	192
Other income	*19*	**(34)**	(53)	**(78)**	(121)
Total other expense (income)		**179**	75	**328**	71
Net loss for the period		**(1,867)**	(862)	**(3,593)**	(1,970)
Other comprehensive income (loss)					
Exchange differences on translating foreign operations		**6**	(7)	**11**	(8)
Defined benefit plan, net actuarial loss		**-**	(40)	**-**	(40)
Total comprehensive loss for the period		**(1,861)**	(909)	**(3,582)**	(2,018)
Loss per share:					
Basic and diluted		**(0.03)**	(0.02)	**(0,06)**	(0,04)
Weighted average number of shares outstanding		**65,565,241**	56,659,423	**65,039,982**	56,659,423

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars)
For the six months ended April 30, 2021 and 2020

		Share Capital			Accumulated Other Comprehensive Loss			
	Notes	**Common Shares**	**Warrants**	**Contributed surplus**	**Defined benefit plan**	**Foreign exchange translation**	**Deficit**	**Total**
Balance as at October 31, 2019		8,829	598	592	(292)	(33)	(9,716)	**(22)**
Net loss		-	-	-	-	-	(1,970)	**(1,970)**
Other comprehensive income		-	-	-	(40)	(8)	-	**(48)**
Total comprehensive loss for the period		-	-	-	(40)	(8)	(1,970)	**(2,018)**
Share issue costs		(35)	-	-	-	-	-	**(35)**
Equity instruments issued to consultants		-	22	-	-	-	-	**22**
Convertible debentures		-	-	367	-	-	-	**367**
Share based compensation		-	-	75	-	-	-	**75**
Balance as at April 30, 2020		8,794	620	1,034	(332)	(41)	(11,686)	**(1,611)**
Balance as at October 31, 2020		**15,024**	**1,333**	**1,611**	**(387)**	**(35)**	**(14,477)**	**3,069**
Net loss		-	-	-	-	-	(3,593)	**(3,593)**
Other comprehensive income		-	-	-	93	-	-	**103**
Foreign currency translation adjustment		-	-	-	-	11	-	**11**
Total comprehensive loss for the period		-	-	-	93	11	(3,593)	**(3,490)**
Share based compensation	*14*	-	-	414	-	-	-	**414**
Stock options exercised		109	-	(39)	-	-	-	**71**
Equity instruments issued to consultants		34	-	64	-	-	-	**98**
Compensation options exercised		167	29	(64)	-	-	-	**131**
Warrants issued		-	531	-	-	-	-	**531**
Issue costs		(40)	(11)	-	-	-	-	**(57)**
Warrants exercised		874	(103)	-	-	-	-	**771**
Convertible debentures issued		-	-	300	-	-	-	**300**
Balance as at April 30, 2021		**16,168**	**1,779**	**1,985**	**(294)**	**(24)**	**(18,070)**	**1,543**

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
(All amounts in thousands of Canadian dollars)
For the six months ended April 30, 2021 and 2020

	Notes	**April 30, 2021**	April 30, 2020
OPERATING ACTIVITIES:			
Net loss from operations		**(3,592)**	(1,970)
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	6	**20**	50
Depreciation of right of use asset	7	**35**	-
Amortization of intangible assets	8	**238**	157
Provision for sales returns		**53**	52
Share based compensation	14	**414**	75
Interest expense		**353**	121
Consulting fees paid by issuance of equity instruments		**98**	22
Unrealized loss on foreign exchange		**46**	15
Payment of interest on debentures		**(209)**	-
Write down of inventory		**3**	-
Funding of defined benefit plan		**(15)**	(24)
Net change in non-cash operating working capital	15	**(1,733)**	(1,040)
Cash used by operating activities		**(4,289)**	(2,542)
INVESTING ACTIVITIES:			
Acquisition of property and equipment		**(44)**	(3)
Acquisition of intangible assets		**(2,146)**	(351)
Cash used by investing activities		**(2,190)**	(354)
FINANCING ACTIVITIES:			
Increase in bank indebtedness		**-**	7
Increase in operating loan		**-**	1,530
Increase in convertible debentures		**6,645**	1,111
Payment of financing fees		**(172)**	(32)
Proceeds from exercise of warrants		**841**	-
Proceeds from exercise of stock options		**131**	-
Principal repayment of lease liabilities		**(47)**	(47)
Cash provided by financing activities		**7,398**	2,569
Decrease in cash		**919**	(327)
Foreign exchange gain (loss) on cash		**(105)**	(8)
Cash, beginning of period		**2,836**	335
Cash, end of period		**3,650**	-

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

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

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

Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Corporation have been prepared for the six months ended April 30, 2021 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared in accordance with those IFRS standards and interpretations of the International Financial Reporting Interpretations Committee issued and effective or issued and early adopted as at the time of preparing these statements. These unaudited interim condensed consolidated financial statements do not include all the information required for full disclosure in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2020 as they follow the same accounting policies and methods of application.

These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 22nd, 2021.

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, 2021, the Corporation incurred a net loss of $3,592 and used cash in operations of $4,289. As at April 30, 2021, the Corporation had a working capital deficiency of $2,323. This raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

Covid-19

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

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

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

The COVID-19 pandemic and measures to prevent its spread may negatively impact the Corporation, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i)

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

adversely affecting the business operations of the Corporation, including access to its products by patients, the Corporation's planned sales and marketing processes for its approved products and the Corporation's ability to source, evaluate and pursue acquisition opportunities; (ii) disrupting the Corporation's supply chain, including the manufacture and/or delivery of its products by third-party manufacturers on which the Corporation relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Corporation in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Corporation's normal business operations; (vi) adversely affecting the Corporation's ability to comply with the covenants in its credit facility or requiring modifications to such covenants, for which there can be no assurance that such modifications would be provided; (vii) disrupting health care delivery; (viii) disrupting operations at Health Canada, which may result in delays in reviews and approvals, including with respect to products for which the Corporation has made or may make new drug submissions; (ix) disrupting operations at public or private payors and related agencies, such as CADTH, PMPRB, pCPA, which may result in delays in gaining access or reimbursement with respect to products for which the Corporation has made or may make submissions. At this point, the extent to which the COVID-19 pandemic will or may impact the Corporation is uncertain and these factors are beyond the Corporation's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Corporation's business, results of operations and financial condition and the market price of the Corporation's securities.

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 a quarterly reporting date of April 30th. 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 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.

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 2020 audited annual consolidated financial statements and are still applicable for the period ended April 30, 2021.

4. Trade and Other Receivables

As at	**April 30, 2021**	October 31, 2020
Trade and other receivables	**1,370**	1,009
Receivable from a related party	**-**	89
Sales taxes receivable	**414**	122
	1,784	1,220

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

5. Inventory

As at	**April 30, 2021**	October 31, 2020
Finished good	**5,122**	867
Components	**254**	8
Inventory - freight	**59**	6
	5,435	881

6. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Security vault**	**Total**
Cost as at October 31, 2020	110	293	235	196	834
Additions	6	24	14	-	44
Cost as at April 30, 2021	**116**	**317**	**249**	**196**	**878**
Accumulated depreciation as at October 31, 2020	84	248	131	44	507
Depreciation	2	9	6	4	21
Accumulated depreciation as at April 30, 2021	**86**	**257**	**137**	**48**	**528**
Net carrying value as at April 30, 2021	**30**	**60**	**112**	**148**	**350**

7. Right of Use Asset

The following table presents the changes in right of use asset during the period:

	Cost	**Accumulated amortization**	**Carrying value**
Balance as at October 31, 2020	347	(69)	278
Additions	-	(35)	(35)
Balance as at April 30, 2021	**347**	**(104)**	**243**

8. Intangible Assets

	Submission costs	**License fee**	**Total**
Balance as at October 31, 2020	2,751	2,197	4,948
Additions	225	1,921	2,145
Amortization	(106)	(131)	(238)
Balance as at April 30, 2021	**2,869**	**3,986**	**6,855**

9. Operating Loan

On April 20, 2021, the Corporation amended its revolving demand credit facility with its present lender. At all times, borrowed amounts under the facility will not exceed the lesser of $2,500 and the total of (a) assigned credit balances for the Corporation plus (b) 80% of Canadian and US based accounts receivables (85% for investment grade receivables) of the Corporation net of over 90-day accounts, contra accounts, related accounts and all other accounts not valued by the lender plus (c) 50% of the inventory value up to a maximum of $1,250.

The lender will make the facility available by way of prime rate-based loans in CAD$, United States base rate ("USBR") loans in USD$ and stand-by letters of guarantee in CAD$. The interest rates for prime based loans are prime rate plus 0.75% per annum; and USBR plus 0.75% per annum for USBR loans. For letters of guarantee the rate applicable will be that set out in the letter of credit indemnity agreement applicable to the issued letter of guarantee.

As at April 30, 2021, the operating loan was unused.

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

10. Accounts Payable and Accrued Liabilities

As at	**April 30, 2021**	October 31, 2020
Trade accounts payable	**6,672**	3,378
Payables to related parties *(i)*	**5**	16
Other accounts payable and accrued liabilities	**838**	616
	7,515	4,010

(i) Included in Payables to related parties		
Consulting fees owed to a company controlled by an officer	**-**	9
Expenses owed to officers, employees and consultants in the normal course of business	**5**	7

11. Lease Liability

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

	Six months ended April 30, 2021	Year ended October 31, 2020
Opening balance	**295**	347
Interest expense	**17**	40
Lease payments	**(47)**	(92)
Balance, end of period	**265**	295
Which consists of		
Current lease liability	**67**	62
Non-current lease liability	**198**	233

12. Convertible Debentures

	Six months ended April 30, 2021	Year ended October 31, 2020
Opening balance	**1,504**	-
Additions	**-**	1,138
Conversion of long-term loans plus accrued interest	**-**	1,040
Fair value of conversion option allocated to equity	**-**	(367)
Transaction costs	**-**	(34)
Accretion expense	**48**	71
Conversion into shares	**-**	(344)
Balance, end of period	**1,552**	1,504

During the year ended October 31, 2020, the Corporation completed two non-brokered private placements totalling $2,178 worth of unsecured convertible debentures. The convertible debentures bear interest at 12% per annum and are convertible at a price per Class "A" share equal to $0.40. Convertible debentures of $2,078 mature on February 27, 2023 with the remaining $100 maturing on March 26, 2023. An amount of $344 of convertible debentures were converted during the year ended October 31, 2021, including accrued interests of $79.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the six months ended April 30, 2021 was $48.

During the six-month period ended April 30, 2021, the debentures accrued interest of $104 included in finance expense on the statement of loss. A total of $35 is included in accrued interest on the statement of financial position.

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

13. Non-convertible Debenture

	Six months ended April 30, 2021	Year ended October 31, 2020
Opening balance	**1,463**	-
Additions	**6,645**	1,700
Fair value of warrants allocated to equity	**(531)**	(216)
Transaction costs	**(122)**	(53)
Accretion expense	**77**	32
Balance as at April 30, 2021	**7,532**	1,463

During the year ended October 31, 2020, the Corporation issued unsecured non-convertible debentures for total proceeds of $1,700. The non-convertible debentures bear interest at 12% per annum and will mature on July 10, 2022. Concurrent with the issuance of such debentures the Corporation issued 2.55 million warrants with an exercise price of $0,60 and maturing on July 10, 2022.

During the six-month period ended April 30, 2021, the Corporation issued unsecured non-convertible debentures for total proceeds of $6,645. The non-convertible debentures bear interest at 8% per annum and mature on January 26, 2022. Concurrent with the issuance of such debentures the Corporation issued 1.33 million warrants with an exercise price of $1,60 and maturing on April 26, 2024.

Accretion expense included in financing expense on the statement of loss and comprehensive loss, attributable to the debentures for the six months ended April 3, 2021 was $53.

In addition, the debentures accrued interest of $125, included in financing expense on the statement of loss. A total of $70 is included as accrued interest on the statement of financial position.

14. Share Capital and Other Equity Instruments

a) Share capital

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

	Notes	Number	$
Balance as at October 31, 2019		56,659,423	8,829
Share issue costs		-	(35)
Balance as at April 30, 2020		56,659,423	8,794
Balance as at October 31, 2020		64,055,359	15,024
Prospectus costs		-	4
Exercise of stock options	13(b)	385,810	110
Compensation options exercised	13(d)	273,375	167
Exercise of warrants	13(c)	1,284,575	873
Shares issued as compensation		30,731	34
Issue costs		-	(44)
Balance as at April 30, 2021		**66,030,350**	**16,168**

b) Share option issuance and compensation expense

The Corporation has an equity-settled stock option incentive 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 or director/officer, the Board of Directors may extend the period during which the optionee may exercise the options provided such period does not exceed three months from termination of employment or duties as director. The number of shares subject to an option shall not exceed 10% of the total issued and outstanding Common shares; and no one optionee shall be granted options that exceed 5%, 2% for any one consultant and 2% for any one person retained to provide investor relation services of the issued and outstanding common shares of the Corporation (on a non-diluted basis), during a 12-month period.

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

14. Share Capital and Other Equity Instruments - *(cont'd)*

Changes in outstanding options were as follows:

	Six months ended April 30, 2021		Year ended October 31, 2020	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of period	**4,275,532**	**$0.47**	2,963,032	$0.40
Granted	**2,235,000**	**$1.39**	1,825,000	$0.70
Forfeited	**-**	**-**	(87,500)	$0.51
Cancelled/expired during the period	**(113,333)**	**$0.70**	(325,000)	$1.11
Exercised	**(385,810)**	**$0.18**	(100,000)	$0.55
Options outstanding, end of period	**6,011,389**	**$0.82**	4,275,532	$0.47
Options exercisable, end of period	**2,700,417**	**$0.46**	2,861,921	$0.44

The following options were granted in the six months ended April 30, 2021:

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
10,000	i	November 11, 2020	November 11, 2027	$0.86	$0.47
250,000	ii	November 11, 2020	February 11, 2022	$1.10	$0.26
1,950,000	iii	January 18, 2021	January 18, 2028	$1.43	$0.87
25,000	iv	January 27, 2021	January 27, 2028	$1.10	$0.26
2,235,000					

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

No options were granted during the second quarter ended as at April 30, 2021. The fair values of the options granted during the first quarter were estimated using the Black-Scholes option pricing model, with the following assumptions:

Risk-free interest rate	0.25% - 0.52%
Volatility factor	61% - 81%
Expected life	1.25 - 7 years
Expected dividend rate	0%
Forfeiture rate	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the six months ended April 30, 2021 was $414 (2020 - $34) recognized in contributed surplus.

c) Restricted stock units (RSUs)

On April 28, 2021, the Shareholders of the Corporation approved the implantation of on RSU equity incentive plan (the "Plan"), which provides for the granting to directors, officers, employees and consultants of the Corporation 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 Plan is to allow for certain discretionary bonuses and similar awards as an incentive and reward for selected Eligible Participants (as defined hereafter) related to the achievement of long-term financial and strategic objectives of the Corporation and the resulting increases in shareholder value. This Plan is intended to promote a greater alignment of interests between the shareholders of the Corporation and the selected Eligible Persons by providing an opportunity to acquire Shares as long-term investments and proprietary interests in the Corporation.

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

14. Share Capital and Other Equity Instruments - *(cont'd)*

The number of Shares reserved for issuance and which will be available for issuance pursuant to Awards granted under this 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 Plan, together with all other equity incentive plans of the Corporation (including its Share Option Plan), may not exceed 10% of the issued Shares at any given time.

As at April 30, 2021, there were no RSUs granted since the inception of the Plan.

d) Warrants

The following schedule presents the common shares issuable on exercise of all warrant granted during the current period:

	Number of shares	Weighted Average Exercise Price
Balance as at October 31, 2020	14,706,527	$0.78
Issued during the period	1,602,875	$0.60
Exercised	(1,284,575)	$0.60
Balance as at April 30, 2021	**15,024,827**	**$0.70**

During the six-month period ended April 30, 2021, a total of 1,602,875 warrants were issued, including 273,875 pursuant to the exercise of broker's compensation options and 1,329,000 pursuant to the non-convertible debentures financing.

e) Compensation Options

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

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

	Number of shares	Number of warrants	Weighted Average Exercise Price
Balance as at October 31, 2020	766,603	581,266	$0.84
Exercised	(273,875)	(273,875)	$0.50
Balance as at April 30, 2021	**492,728**	**307,391**	**$0.71**

During the six-months period ended April 30, 2021, pursuant to the exercise of 273,875 compensation options, 273,875 warrants and shares were issued.

15. Other Cash Flow Information

Net Change in non-cash assets and liabilities related to operations:

	Six months ended April 30,	
	2021	2020
(Increase) decrease in trade receivables	**(276)**	(925)
(Increase) decrease in inventory	**(4,557)**	54
(Increase) decrease in prepaid expenses	**(75)**	91
Increase (decrease) in accounts payable and accrued liabilities	**3,465**	106
(Increase) decrease in other receivables	**(289)**	(366)
	(1,733)	(1,040)

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

16. Sales and Marketing Expenses

	Three months ended April 30,		Six months ended April 30,	
	2021	2020	**2021**	2020
Employee compensation	**665**	275	**1,078**	621
Sales expenses	**152**	87	**324**	247
Marketing expenses	**262**	153	**505**	267
	1,079	516	**1,907**	1,136

17. General and Administrative Expenses

	Three months ended April 30,		Six months ended April 30,	
	2021	2020	**2021**	2020
Employee compensation	**502**	323	**873**	663
Administrative expenses	**287**	259	**541**	541
Investor relations expenses	**129**	87	**453**	192
Amortization of intangible assets	**60**	28	**113**	56
Depreciation of property and equipment	**12**	7	**22**	15
Depreciation of right of use asset	**18**	18	**35**	35
	1,008	721	**2,037**	1,502

18. Financial Expenses

	Three months ended April 30,		Six months ended April 30,	
	2021	2020	**2021**	2020
Accrued interest on debentures	**131**	-	**229**	51
Effective interest on debentures	**47**	50	**101**	0
Interest on loans	**0**	16	-	47
Lease interest	**8**	10	**17**	20
Bank and other interest	**3**	-	**8**	54
Bank charges	**8**	47	**12**	11
Foreign exchange fluctuation	**17**	5	**40**	7
	213	128	**406**	192

19. Other Income

	Three months ended April 30,		Six months ended April 30,	
	2021	2020	**2021**	2020
Service income	**34**	47	**78**	107
Rental income	**-**	6	**-**	14
Interest income	**-**	-	**1**	-
	34	53	**79**	121

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

20. Related Party Transactions

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

	Three months ended April 30,		Six months ended April 30,	
	2021	2020	**2021**	2020
Key management salary and benefits	**295**	277	**520**	468
Directors and employee stock option compensation	**309**	42	**414**	75
Consulting fee paid to a company controlled by an officer	**46**	41	**91**	86

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

20. Related Party Transactions – *(cont'd)*

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

	April 30, 2021	October 31, 2020
Consulting fees owed to a company controlled by an officer	**-**	9
Expenses owed to a consultant and incurred in the normal course of business	**5**	7
Convertible debentures owed to key management and directors	**224**	219
Non-convertible debentures owed to key management and directors	**206**	202
Accrued interest on convertible debentures owed to key management and directors	**13**	5
Accrued interest on non-convertible debentures owed to key management and directors	**2**	9
Non-convertible debenture owed to Manitex, a shareholder of the corporation	**15**	15
Accrued interest on non-convertible debentures owed to Manitex, a shareholder of the Corporation	**-**	1

21. Financial Instruments

For the six-month period ended April 30, 2021 and the year ended October 31, 2020, the Corporation had no financial instruments carried at fair value through profit and loss ("FVTPL") or at fair value through other comprehensive income("FVTOCI").

The tables below indicate the carrying values of assets and liabilities carried at amortized cost as at:

	April 30, 2021	October 31, 2020
Financial assets:		
Cash	**3,650**	2,836
Trade and other receivables	**1,784**	1,220
	5,434	4,056
Financial liabilities:		
Accounts payable and accrued liabilities	**7,546**	4,010
Accrued interest on debenture	**105**	103
Lease liability	**265**	295
Convertible debentures	**1,552**	1,504
Non-convertible debentures	**7,532**	1,463
	17,000	7,375

Short term financial instruments, comprising trade receivables, other receivables, bank indebtedness, accounts payable and accrued liabilities and loans are carried at amortized cost, which, due to their short-term nature, approximates their fair value. Long term financial instruments consist of convertible debentures and non-convertible debentures.

The Corporation categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. As at April 30, 2021 and October 31, 2020, the Corporation has no financial instrument measured at fair value. There were no transfers between levels during the period.

The three levels are defined as follows:

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

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

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

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

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

22. 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. Valeo has an investment in a U.S. subsidiary however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks. As at April 30, 2021, a 5% increase/decrease in the USD/CAD would have a $264 impact on net loss and equity. Other comprehensive income would not have be materially impacted in the above situation.

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

	April 30, 2021		October 31, 2020	
	Foreign Currency	**CDN equivalent**	Foreign Currency	CDN equivalent
Cash – USD	**2,892**	**3,552**	203	271
Accounts payable and accrued liabilities – USD	**2,996**	**3,680**	255	340
Accounts payable and accrued liabilities – EUR	**-**	**-**	45	71

(ii) Cash flow and fair value interest rate risk

The Corporation is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities. Convertible debentures or long- term loans negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

(b) Credit Risk

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

The Corporation sells its products through a small number of wholesalers and retail pharmacy chains. The Corporation has collection terms of 2/30 net 60 while its fully consolidated subsidiary, VPI Pharma Inc. has terms of 2/90 net 120. 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, 2021, 87% (2020 - 79%) of trade accounts receivables were current. As at April 30, 2021, three customers accounted for 89% (2020 - 69%) 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, 2021	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Accounts payable and accrued liabilities	**7,106**	**23**	**384**	**-**	**7,515**
Accrued interest on debenture	**-**	**64**	**41**	**-**	**105**
Provision for product returns	**-**	**-**	**31**	**-**	**31**
Lease liability	**5**	**10**	**51**	**198**	**264**
Convertible debentures	**-**	**-**	**-**	**1,552**	**1552**
Non-convertible debenture	**-**	**-**	**6,007**	**1,525**	**7,532**
	7,111	**97**	**6,514**	**3,275**	**16,999**

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

22. Financial Risk Factors - *(cont'd)*

As at October 31, 2020

	Less than 30 days	30 days to 3 months	3 months to 12 months	More than 12 months	Total
Accounts payable and accrued liabilities	3,479	77	557	-	4,113
Accrued interest on debenture	-	65	38	-	103
Provision for product returns	-	-	103	-	103
Lease liability	5	10	47	233	295
Convertible debentures	-	-	-	1,504	1,504
Non-convertible debenture	-	-	-	1,463	1,463
	3,484	152	745	3,200	7,581

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 makes adjustments to it considering changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations. The Corporation currently funds the working capital requirements out of its internally generated cash flows and the use of credit facilities. To maintain or adjust the capital structure, the Corporation will work to secure new debt from its shareholders and expand the shareholder base with new participation that would make additional funds available.

Management does not establish quantitative return on capital criteria, however management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Corporation, is appropriate. As at April 30, 2021 the Corporation is not subject to any externally imposed capital requirements.

23. Commitments

(i) Lease obligation

The Corporation leases its premises and is currently bound by a five-year lease which commenced in September 2019 and will expire in August 2024.

The maturity of contractual undiscounted lease obligation payments are as follows:

	$
2021	47
2022	95
2023	97
2024	82
Total	**322**

(ii) Licensing agreements

Milestones:

Under certain agreements, the Corporation may have to pay additional consideration should it achieve certain sales volumes or if certain milestones are met, such as approval for provincial reimbursement.

Royalty and profit sharing:

Under certain agreements, the Corporation is required to pay royalty payments, included in cost of sales, based on Net Sales at rates of 10 to 20% in any given year based on aggregate Net Sales levels achieved during the year.

Furthermore, certain agreements require the Corporation to make profit sharing payments ranging from 25% to 50% of net profits.

23. Subsequent events

i. On May 13, 2021, the Corporation issued a letter of guarantee for $1,100 in favour of Novartis Pharmaceutical Canada Inc. maturing March 26, 2022. The letter of guarantee covers the Corporation's financial obligations in relations to a supply agreement executed on March 26, 2021. As at April, 30, 2021 the outstanding obligations under letter of guarantee were $151 related to a trade payable due July 7, 2021.

ii. On May 21, 2021, the Corporation amended its lease to extend the term from August 31, 2024 to August 31, 2029, and to increase the lease space by 4,023 square-feet. As a consequence of the amendment, the annual obligations under the lease increased by $67. A tenant inducement of $185 was granted by the landlord to the Corporation to fund a portion of the leasehold improvements.

iii. On June 29, 2021, the Corporation announced the closing of brokered offering of 10,000,000 units (the "Units") at a price of $1.00 per Unit (the "Unit Price") along with the full exercise of the Underwriters' over-allotment option of 1,500,000 additional Units at the Unit Price for aggregate gross proceeds of $11.5 million (the "Offering"). The Units were sold on a bought deal basis pursuant to an underwriting agreement dated June 14, 2021, with a syndicate of underwriters led by Research Capital Corporation and including Paradigm Capital Corporation Inc., and Desjardins Securities Inc. Each Unit consists of one common share ("Share") of the Corporation and one Share purchase warrant (each whole warrant, a "Unit Warrant"), with each Unit Warrant entitling the holder to purchase one Share of the Company at a price of $1.25 for a period of 36 months after the closing of the Offering.