Annual Report 2023

Fiscal Year ended on

October 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of Valeo Pharma Inc. ("Valeo" or the "Corporation") for the three months and years ended October 31, 2023, and 2022. This document should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended on October 31, 2023, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share information. All other currencies are presented in thousands. This discussion and analysis document was prepared by management from information available as at January 25, 2024. Further information about Valeo Pharma Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

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

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

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

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

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

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

Use of Estimates and Judgements

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

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial	
CAGR	Compounded Annual Growth Rate
COGS	Cost of Goods Sold (or Cost of Sales)
DSU	Deferred Share Units
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
MA & Reg	Medical Affairs, Quality Assurance and Regulatory
OPEX	Operating Expenses
RSU	Restricted Share Unit
S&M	Sales and Marketing
SBC	Share-Based Compensation
FY-23	Fiscal Year 2023
FY-22	Fiscal Year 2022
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
Q4-22	Fourth quarter FY-22
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
Q1-22	First quarter FY-22
QoQ	FY-23 quarterly results vs last year's quarterly results
YE-23	Year-end 2023, October 31, 2023
YE-22	Year-end 2022, October 31, 2022
YTD	Year to date
YoY	Current FY results vs last FY results
W/C	Working Capital, defined as current assets less current liabilities

Corporate & Operations	
3PL	Third-party logistics
BD&L	Business Development and Licensing activities
Biosimilar	Biologic drug that is highly similar to a biologic drug.
BU	Business Unit defined as Commercial Unit focussing on a specific therapeutic area
COVID-19	Mild to severe respiratory illness caused by a coronavirus
CTA	Clinical Trial Application with Health Canada
DIN	Drug Identification Number
FDA	United States Food and Drug Administration
GDUFA	Generic Drug User Fee Act in the USA
GP	General Medical Practitioner
GPO	Group Purchase Organization
HC	Health Canada
HCP	Health Care Practitioner
ICS	Inhaled Corticosteroid
INESSS	Quebec's « Institut National d'Excellence en Santé et Services Sociaux »
KAM	Key Account Manager
KOL	Key Opinion Leader
LABA	Long-Acting Beta2 Agonist
LAMA	Long-Acting Muscarinic Antagonist
LMWH	Low Molecular Weight Heparin
MHI	Montreal Heart Institute
NBRx	New to Brand Prescriptions
NDS	New Drug Submission with Health Canada
OTCQB	U.S. over-the-counter venture market
Payers	Public (Provincial and Federal) and Private (insurance carriers) plans
pCPA	pan-Canadian Pharmaceutical Alliance
PD	Parkinson's Disease
PLA	Product listing agreement
PMPRB	Patented Medicine Prices Review Board
RAMQ	Régie de l'assurance maladie du Québec
Rx	Prescriptions
SKU's	Stock Keeping Units
TSX	**Toronto Stock Exchange**
VPI	Valeo's generic product subsidiary

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

The Corporation is a specialty pharmaceutical corporation which sources, acquires or in-licenses innovative prescription branded products for sale in Canada which bring improved healthcare benefits to Canadian patients.

Valeo's business unique model consists of providing all the required services to register, secure reimbursement and commercialize the acquired or in-licensed pharmaceutical products in Canada. Valeo possesses the necessary in-house expertise to handle all activities associated with regulatory, quality control, supply chain, warehousing and 3PL, medical information, and pharmacovigilance. The ability to handle such a broad range of activities has been a key factor in our successful in-licensing activities and acquisition of third-party product rights for Canada. Today, Valeo's business objective is to become a leading Canadian healthcare Corporation by focusing on the commercialization of innovative prescription products in predefined strategic therapeutic areas.

In 2021, Valeo opted to accelerate its growth by expanding its commercial and head office infrastructure to handle both specialty and mass-market products. While this strategy impacted its overhead and operating cost, it also provided significant operating leverage which is unsurpassed within the Canadian Specialty Pharma market. Although suffering temporary set-back in Q4-23 performance (catch-up adjustments to carrying provisions), Valeo is currently on-path to reaping benefits of its growth plan with priorly established trend of consecutive quarters of revenues growth which translated in consecutive adjusted gross profit improvements.

Beginning in the second half of FY-21, Valeo's financial performance has been improving sequentially and is set to continue improving for several years due to growth potential of its expanding commercial portfolio. The current peak sales potential of Valeo's commercial portfolio is estimated to exceed $200M, while the current revenue run-rate is exceeding $52M. With relatively fixed operating costs, this demonstrates the significant financial upside which resides in Valeo's product portfolio.

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

- ➔ In March 2021, Valeo entered into an agreement with Novartis Pharmaceutical Canada Inc. ("Novartis") to license the Canadian commercial rights to Enerzair®Breezhaler® ("Enerzair") and Atectura®Breezhaler® ("Atectura"). The Respiratory and Specialty Products Business Units were created to better support the commercial efforts for all products within our commercial portfolio.
- ➔ On July 29, 2022, Valeo signed two additional licensing agreements with Novartis and Kaléo, Inc. ("Kaléo") for the Canadian commercial rights to 3 major brands, namely, Xiidra®, Simbrinza® from Novartis as well as Allerject® from Kaléo. These transactions lead to the expansion of our Respiratory BU to include Allergy with the addition of Allerject, as well as the creation of an Ophthalmology BU for the promotion of Xiidra and Simbrinza.

With the continued growth of Redesca, Enerzair and Atectura, coupled with the addition of Xiidra, Simbrinza and Allerject, we expect each of the Respiratory/Allergy, Ophthalmology and Specialty BUs to positively impact our financial performance over the coming quarters. The revenue growth experienced to date in FY-23 is a testament of the transformative impact our new products have had on the Corporation's financial performance.

As of the date of this document, the Corporation has approximately 110 full time employees including a team of 70 commercial positions comprising pharmaceutical representatives, sales professionals, and medical science liaison staff.

Product Portfolio

Valeo's main product portfolio includes:

BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory/Allergy Business Unit			
Enerzair® Breezhaler®	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercial launch in June 2021, supported by a dedicated commercial team. • 100% Public reimbursement across Canada. Private insurance coverage in excess of 90%. • Canadian asthma market estimated at $1.08 billion. [1]
Atectura® Breezhaler®	LABA/ICS dual combination asthma drug.		
Allerject®	Portable voice-activated epinephrine injector for emergency treatment of serious allergic reactions (anaphylaxis)	Kaléo, Inc. ("Kaléo")	• Commercial rights acquired late Q3-2022. Formal launch in April 2023. • Canadian Market estimated at $87M, 5-7% CAGR. [2] • Provincial reimbursement and Private insurance coverage > 90%.
Ophthalmology Business Unit			
Xiidra®	Prescription eye-drop to treat dry eye disease	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercial rights acquired late Q3-2022. • Supported by a dedicated commercial team. • Canadian market estimated at $60 million. [1] • Private insurance coverage at 100%. No public coverage. • Novartis announced on September 29, 2023 the divestment completion of front eye ophthalmology assets to Bausch Lomb, including Xiidra – see further details in 'Important' note on page 5.
Simbrinza®	Ophthalmic Drops (brimonidine and brinzolamide) to treat open-angle glaucoma or ocular hypertension		• Commercial rights acquired late Q3-2022. • Glaucoma Canadian market estimated at $250 million. [1] • Public reimbursement and Private insurance coverage > 90%.
Specialty Products Business Unit			
Redesca™	LMWH – Anticoagulant biosimilar used to treat and prevent deep vein thrombosis and pulmonary embolism.	Shenzhen Techdow Pharmaceuticals Co., Ltd.	• Commercialized since April 2021. • Supported by a dedicated key account management team. • Canadian annual LMWH market estimated at $180 million. [1] • Public and Private insurance coverage in place across Canada.
Onstryv®	Idiopathic Parkinson's disease	Zambon S.p.A.	• Marketed since Q3-2019. • Publicly reimbursement in Quebec since Q2-2023.
M-Eslon	Extended-release morphine sulphate for pain management.	Ethypharm Inc.	• Distributed by Valeo since 2016.
Yondelis®	Soft tissue sarcoma	PharmaMar S.A.	• Marketed by Valeo since FY-2020.
Ametop™ Gel 4%	For skin Anesthesia prior to injection or cannulation.	Alliance Pharma Inc.	• Marketed by Valeo since FY-2020.

Note 1: Industry data, Source: IQVIA

Note 2: Verified Market Research

Corporate and Commercial Structure

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

The following presents our corporate and commercial structure.

HEAD OFFICE Business Development & Licensing Scientific & Medical Affairs Finance, HR, IT, IR, Legal Supply Chain, Sales desk, Warehousing and 3PL Regulatory, QA/QC Pharmaco-Vigilance	**RESPIRATORY / ALLERGY** Sales/Marketing/Training	**ENERZAIR®** Breezhaler®, **ATECTURA®** Breezhaler®, **ALLERJECT®**
	OPHTHALMOLOGY Sales/Marketing/Training	**XIIDRA®, SIMBRINZA®**
	SPECIALTY PRODUCTS Sales/Marketing/Training **Hospital Generic Division**	**REDESCA™**, Onstryv®, Yondelis®, M-Eslon®, Ametop Gel™, Sodium Ethacrynate

Respiratory/Allergy Business Unit

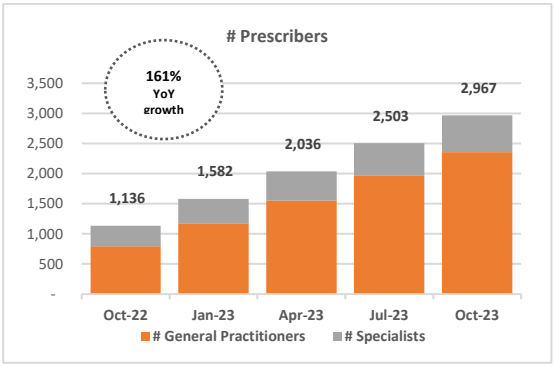
Enerzair® Breezhaler®, Atectura® Breezhaler®

The Respiratory/Allergy BU was created in March 2021 to commercialize two newly approved asthma therapies by HC, Enerzair and Atectura, licensed from Novartis. These products bring compelling therapeutic benefits that were demonstrated in extensive clinical trials conducted by Novartis. Enerzair and Atectura are now fully covered by public jurisdictions and private payers across all Canadian provinces and territories. Enerzair and Atectura have helped establish Valeo as one of the leading companies in the large, established and growing asthma therapy market which has reached $1.08 billion in 2022, with annual growth of 4.5%. (*Industry data, Source: IQVIA)*

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

Leveraging Canadian nation-wide private and public reimbursement coverage since earlier in 2022, our Q4-23 results continue to show solid sales progress over prior quarters, and we expect this trend to continue due to the sequential addition of new prescribing practitioners and growing number of patients.

At the end of October 2023, the total number of HCPs prescribing Enerzair and Atectura stood at 2,967 up 19% over the prior quarter and up 161% YoY (*see graph below*). For the 12 months ending October 31, 2023, total prescriptions exceeded 67,234, up 193% over the prior 12-month period.



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

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

Allerject was first launched in 2013 and quickly captured 36% of the market. The product was subsequently withdrawn from the market due to manufacturing issues. With the implementation of an enhanced robotic manufacturing process, the product had been re-introduced with limited promotional effort in the Canadian market in 2019 and has thus far achieved a modest 5.5% market share. We believe that Valeo's targeted commercialization efforts combined with Allerject's product features should lead to market share gains.

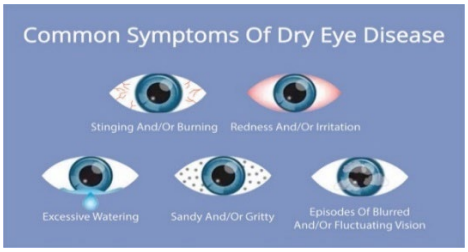
Allerject is used for the emergency treatment of serious allergic reactions (anaphylaxis) and is intended for people who are at risk and for people with a history of serious allergic reactions. Anaphylaxis reaction is a life-threatening condition which can be prevented by an appropriate use and dose of an Epinephrine Auto-injector. Allerject has significant competitive advantages over the competition as it is the ONLY voice activated auto-injector on the market, and it is pocket-size for ease of use and carry. The Canadian market for single-use epinephrine auto-injectors is estimated at $90 million (IQVIA Data – 2022) and expected to be growing at an 5-7% compounded annual growth rate ("CAGR") between 2021 and 2028 (Source: Verified Market Research).

Ophthalmology Business Unit

Following the in-licensing of Xiidra and Simbrinza from Novartis on July 29, 2022, Valeo created its Ophthalmology BU. Valeo has assembled a dedicated team of experienced Ophthalmology marketing specialists and sales force focusing on the promotion of Xiidra and Simbrinza. The addition of the Ophthalmology BU is highly synergistic for Valeo as it leverages its existing commercial operations, medical and head office infrastructure. Since its creation, the Ophthalmology BU has had a significant impact on Valeo's revenues.

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

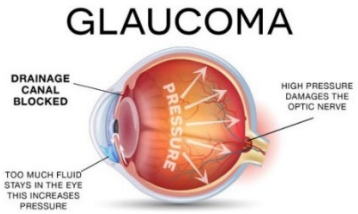
Dry-eye disease is a common condition that occurs when natural tears cannot provide adequate lubrication for the eyes. Reasons for tear film dysfunction are many, including hormone changes, autoimmune disease, inflamed eyelid glands or allergic eye disease. Incidence of the disease is also impacted by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



Canadian market of Rx products for dry-eye disease is estimated at $60 million (IQVIA Data – 2021) and growing at a CAGR of ~5%. Xiidra is reimbursed by 100% of private plans across Canada and is primarily (82%) prescribed by ophthalmologists and optometrists in Canada representing a target audience of ~2050 HCPs (1,250 ophthalmologists/ 800 optometrists).

SIMBRINZA® (brinzolamide/brimonidine tartrate ophthalmic suspension) for the elevated intraocular pressure (IOP) in patients with glaucoma or ocular hypertension.

Glaucoma is a group of eye conditions that damage the optic nerve, the health of which is vital for good vision. This damage is often caused by abnormally high pressure in the eye. Glaucoma is one of the leading causes of blindness for people over the age of 60, although it can occur at any age it is more prevalent in older adults.



The Canadian market for fixed dose combinations used in glaucoma is estimated at $55 million and growing at a CAGR of ~4%. Total Canadian glaucoma market is estimated at $250 million. (IQVIA Data – 2022).

Simbrinza was launched in 2015 and has since captured 18% of the market and is currently the third best selling drug in Canada for this indication and experienced a 16% YoY unit growth in 2023.

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

IMPORTANT:

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

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

Valeo expects that following the recent completion of the sale of Xiidra to B&LC, it will continue to generate revenues from the sale of Xiidra during a transition period. Based on publicly available information, Valeo expectation is to continue generating revenue from transition until sometime in Q3-2024.

Specialty Products Business Unit

The Specialty Product BU's focus is to ensure that Valeo derives maximum benefits from the commercialization of Redesca and other hospital branded products.

REDESCA™ – a transformative product for Valeo.

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

The LMWH Canadian market is estimated at $170million and includes 3 major biologics.

- The Enoxaparin market (the "Primary Market") is estimated at $51million annually and comprises 6 competitors (Lovenox – and 5 biosimilars to Lovenox, including Redesca, the overall market leading Canadian biosimilar).
- The remaining market (the "Secondary Market") includes Dalteparin and Tinzaparin together representing sales estimated at $119 million annually. No biosimilar has been approved for these biologics and none are expected over the next several years.

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

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

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

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

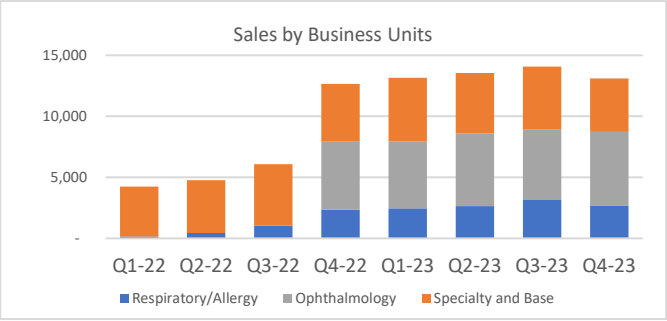
Q4-23 Results Overview

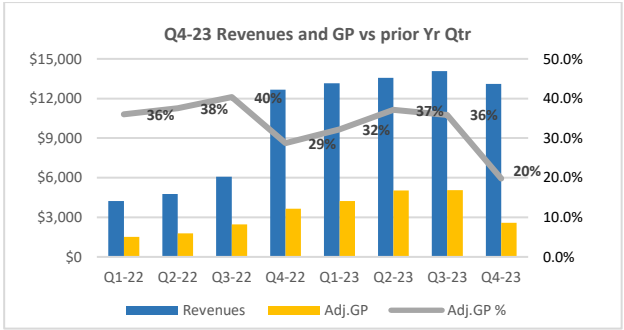
The addition of Xiidra, Simbrinza and Allerject in the last quarter of FY-22, have boosted the peak sales potential of our existing product portfolio to $200 + million with a significantly lower impact on our operating expenses ("OPEX"). However, on a reported basis (as stated in 8Q view), Q4-23 shows a break in trend on revenue growth reflecting several one-time adjustments to Net Revenue totalling over $1 million in Q4-23. Absent of such adjustments to revenues would show a continuity in revenue achievement for an eighth consecutive quarter of growth. The graphs below present our revenues by BU for the last 8 quarters. Our annualized revenue run-rate at the end of Q4-23 reached $52 million, which is 88% above our FY-22 revenues. Excluding catch-up in carrying returns and rebate provisions from Q4-23, annualized revenue run-rate would show at $56 million, or 103% above FY-22 revenues.

Q4-23 Margins were negatively impacted by adjustment to returns carrying provision to sustain sales returns level typical of specialty pharma. Q4-23 Margins were also impacted by increased accruals to normalize carrying provisions necessary to handle anticipated GPO and PLA rebate payments with a growing % of our revenues exposed to rebate agreements with Payers (PLA) and GPO contracts vs privately covered and cash-paying patients.

YTD-23 OPEX and Adjusted EBITDA were impacted by the timing of important product samples purchased compared to prior quarters. As per IFRS rules, samples are expensed on purchase and can lead to significant variation of OPEX charges between quarters. The samples charged in Q3-23 represent a peak and, in comparison, Q4-23 is more indicative of a return to normal.

Over the last year, the sequential growth of revenues has significantly increased gross profit while OPEX has grown to a lesser rate. Following a pattern of 6 consecutive quarterly improvements (until Q2-23), the Q4-23 Adjusted EBITDA loss, which is indicative of our progress towards profitability has increased due to 1) increased commercial conditions accruals (to normalize GPO/PLA provisions and to reflect carrying level required for return in specialty pharma) and 2) Inventory write-off associated to new product launch.

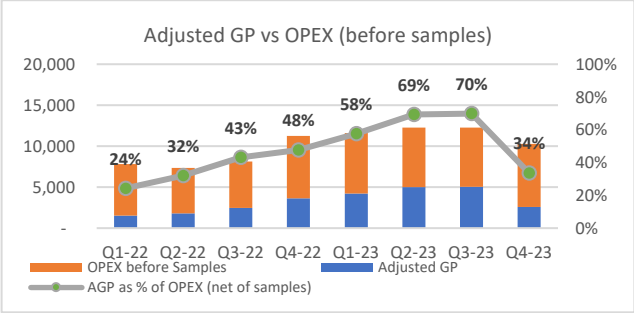


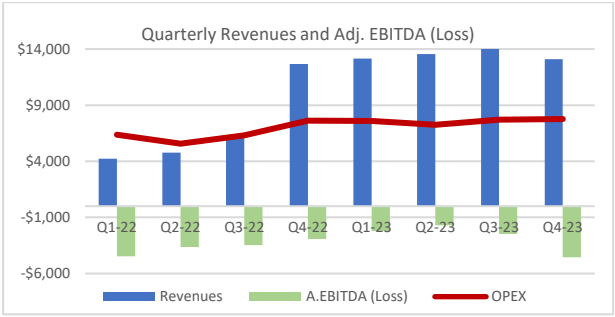


- Q4-23 Business Units quarterly revenues: continued growth in Respiratory/Allergy and Ophthalmology while
- Q4-23 negatively affected by adjustments to carrying rebate-returns provisions and destructions for newly launched brands.

Specialty negatively affected by adjustment to carrying provision in Base.

- Excluding one-time adjustments, 3 Business Units would have returned positive contribution to quarterly revenue and continued growth momentum: Respiratory/Allergy, Ophthalmology and Redesca growing to nearly 88% of overall revenues, with 13% growth over Q4-22.
- Excluding these items, revenues and adjusted gross profit ($) would have extended trend set in preceding 3 quarters.

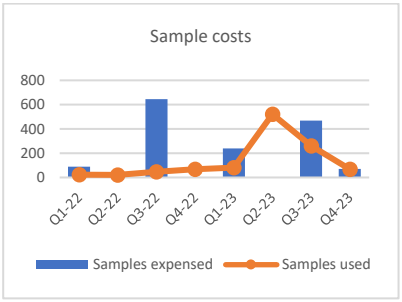


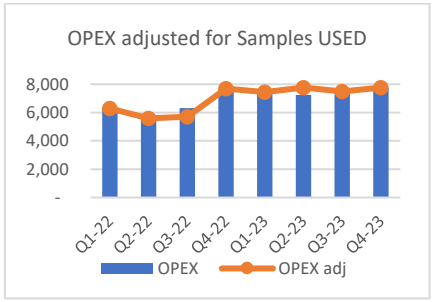


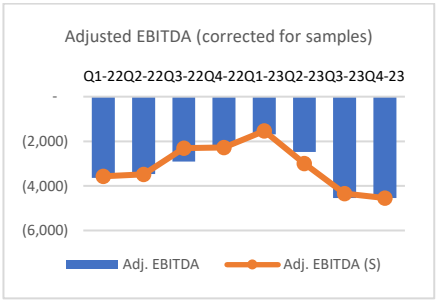
- Q4-23 Gross profit negatively impacted by catch-up in carrying provisions for rebates/returns and destructions associated to newly launched brands. Outside adjustments, adjusted gross profit ratio over OPEX (before samples) would have presented nearly comparable to Q3-23. Progress made in OPEX management expected to materialize further benefits into fiscal year 2024.
- Increase in revenue momentum partly offset by impact from carrying provisions - resulting in outlier versus sequential increase in revenues and operating margins observed in previous quarters. Also negatively impacting Adjusted EBITDA loss for Q4-23.
- OPEX reductions announced in Q1-24 expected to generate sufficient savings to return to improvement trend.

We expect continued revenue growth over the coming quarters and are committed to taking full advantage of the peak sales potential of our 5 lead commercial products, while continuing to control our OPEX and leverage our existing infrastructure. This will lead to expanded gross profits and accelerate Valeo's path towards profitability. (See "Liquidities" section of this MD&A).

Results show the impact of increased sampling costs required to support the growth of promotion sensitive products – notably since addition of Xiidra and Simbrinza. Since the start of FY-22, samples are expensed on purchase (IFRS requirements) as opposed to usage. As result, Valeo management believes showing OPEX/EBITDA corrected for sample costs is a more appropriate measure of control over OPEX management, as we maintain direction on path to profitability.





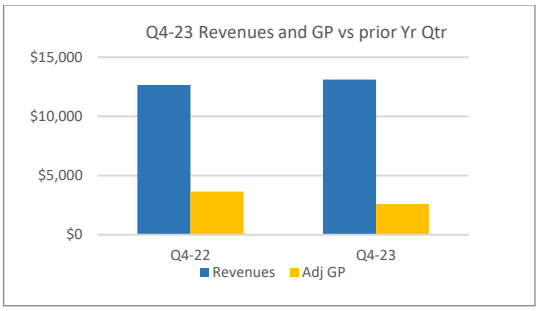


Our financial results for Q4-23 also show the full impact of 3 financing transactions completed during FY-23. Valeo completed a $3.9 million non-brokered private placement in August 2023 via mix of common shares and warrant. Private Placement units comprised of 1 common share and half a warrant attached thereto. – including participation of Investissement Québec and Insiders. Also in August 2023, Valeo secured a loan agreement with a related party for a principal amount $0.6 million. Finally, Valeo entered agreement with Accord Financial for $5.0 million credit facility guaranteed by short-term assets. Transactions have provided Valeo with the capital required to fund operations and working capital requirements to pursue transformation on the basis of relentless focus on core assets. (See "Q4-23 Highlights" and "Subsequent Events" sections of this MD&A).

Q4-23 Financial Results

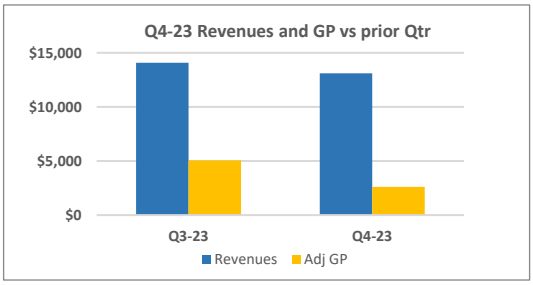
Q4-23 vs Q4-22 Performance

- Valeo revenue growth momentum temporarily affected by adjustments to carrying provisions for rebates and sales returns.
- Sales return adjustment required to sustain historical level of activity typical of specialty pharma.
- Excluding these one-time elements biasing 'true' momentum, Valeo performance momentum would continue with Q4-23 quarterly sales surpassing Q3-23 and a 16% increase on Q4-22.
- Organic revenue grew by 2% in Q4-23 vs Q4-22, including Enerzair and Atectura revenues, up 36% for same period before considering new products acquired in Q4-22.
- Adjusted Gross Profit decreased to $2.6 million, down 29% over Q4-22.
- Operating loss for Q4-23 of $7.1 million, up 7% vs Q4-22.
- EBITDA loss at $4.5 million up 56% in Q4-23 vs Q4-22.



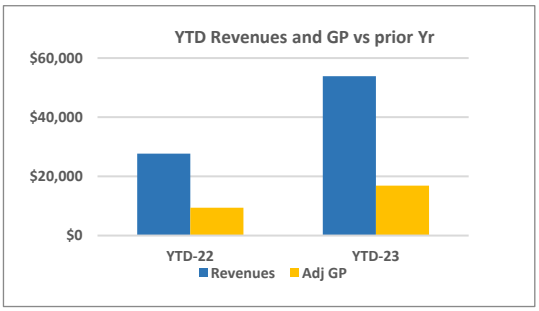
Q4-23 vs the prior quarter (Q3-23)

- Valeo performance and growth momentum temporarily affected by adjustments to carrying provisions for rebates and sales returns resulting in:
  - 7% Decrease in revenues compared to the prior Q3-23 quarter.
  - Adjusted Gross Profit 49% down vs Q3-23 at $2.6 million compared to $5.1 million.
- Operating loss for Q4-23 up $3.7 million compared to Q3-23 due to adjustments in carrying provisions as well as destructions associated to new launch products.
- Adjusted EBITDA loss up $2.1 million compared to Q3-23



FY-23 vs FY-22 Performance

- FY-23 Revenues of $53.9 million, up 94% vs prior Year.
- 28% organic revenue growth in FY-23 vs FY-22, including Enerzair and Atectura revenues up 150% before new products since Q4-22
- FY-23 Adjusted Gross Profit of $16.9 million, up 80% over FY-22
- Operating loss in YTD-23 down 12% compared to last year.
- Adjusted EBITDA loss of $10.9 million, down 24% vs last year.



Q4-23 Highlights

- On August 31, 2023, the Corporation closed a non-brokered private placement offering (the "Offering) of 13,999,997 units (the "Units") of the Company at a price of $0.28 per Unit for gross proceeds of $3.9 million, including the participation of Investissement Québec for $2.0 million and $1.4 million from Insiders. Each Unit consists of one (1) class A share of the Corporation (each, a "Share") and one-half (1/2) Share purchase warrant of the Company (a "Warrant"). Each full Warrant entitles the holder to purchase one (1) Share in the capital of the Company (a "Warrant Share") at the price of $0.35 per Warrant Share for a period of 60 months from the closing date of the Offering.
- On August 31, 2023, the Corporation secured a loan agreement with a related party for a principal amount of $0.6 million bearing annual interest at a rate of 12% and maturing on the earlier of the business day following: (i) October 29, 2027 and (ii) the repayment by the Corporation of all advances made by Sagard Holdings Manager LP ('Sagard"). Interest on the loan will be capitalized up to maturity, and it can be settled in cash or shares at the option of the Corporation.
- On September 27, 2023, the Corporation announced it had entered into a credit facility agreement with Accord Financial Inc. The $5 million credit facility is secured by a first rank lien on the Corporation's short-term assets, and bears interest at the Scotiabank's prime rate plus an applicable margin. Borrowings under the credit facility are expected to be used for working capital and other general corporate purposes.

- On October 4, 2023, the Corporation announced it placed No. 151 on the 2023 Report on Business ranking of Canada's Top Growing Companies out of 425 companies because of its three-year revenue growth of 322%.

Subsequent Events

- On November 7, 2023, the Corporation announced the appointment of Mr. Richard Lajoie to its Board of Directors and the retirement of Ms. Maureen C. Brennan from its Board of Directors. Mr. Lajoie was President of Bausch Health, Canada from 2017 to 2021 before being promoted to President Ortho Dermatologics US based in New Jersey. Prior to Bausch Health, Richard spent 12 years with Novartis Pharmaceuticals in roles of increasing responsibility (Sales, Marketing, Government Affairs and Medical) located in Montreal, Calgary and Copenhagen where he led Denmark, Norway and Iceland as General Manager for Novartis Oncology.
- On November 20, 2023, the Corporation announced the undertaking of a series of initiatives to reduce operating costs and drive operational efficiency to re-center strategic ambitions on a focused group of products – allowing to improve profitability, generate scale in commercial enablement and to optimize return on investment. This decision is partly the result of Xiidra Canadian rights being transferred by Novartis (as part of a global transaction) to B&LC. The Corporation also announced the appointment of Mr. Pascal Tougas as its new Chief Financial Officer, effective November 20, 2023.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the October 31, 2023, audited consolidated financial statements.

Consolidated Statements of Loss

			Change				*Change*	
	Q4-23	Q4-22	*$*	*%*	**FY-23**	FY-22	*$*	*%*
Revenues	**13,108**	12,663	*445*	*4%*	**53,910**	27,745	*26,165*	*94%*
Cost of Goods Sold	**12,476**	11,678	*798*	*7%*	**40,833**	21,464	*19,369*	*90%*
Gross Profit	**632**	985	*(353)*	*-36%*	**13,077**	6,281	*6,796*	*108%*
Gross Profit % to Revenues	**4.8%**	7.8%		*-3.0%*	***24.2%***	*22.6%*		*1.6%*
Adjusted Gross Profit	**2,594**	3,640	*(1,046)*	*-29%*	**16,909**	9,405	*7,504*	*80%*
Adjusted Gross Profit %	**19.8%**	28.7%		*-9.0%*	***31.4%***	*33.9%*		*-2.5%*
Expenses								
Sales and Marketing	**5,143**	4,314	829	*19%*	**19,873**	15,832	*4,041*	*26%*
General and Administrative	**1,742**	1,568	174	*11%*	**6,157**	5,042	*1,115*	*22%*
Medical affairs, QA & regulatory	**721**	1,444	(723)	*-50%*	**3,205**	3,928	*(723)*	*-18%*
Share-Based Compensation	**109**	235	(126)	*-54%*	**870**	941	*(71)*	*-8%*
Profit Sharing	**51**	71	(20)	*-28%*	**200**	142	*58*	*41%*
Total OPEX	**7,766**	7,632	134	*2%*	**30,305**	25,885	*4,420*	*17%*
Total OPEX as % of Revenues	*59.2%*	60.3%		*-1.0%*	*56.2%*	93.3%		*-37.1%*
Operating Loss	**(7,134)**	(6,647)	*(487)*	*7%*	**(17,228)**	(19,604)	*2,376*	*-12%*
Other Expenses (income)								
Financial, net	**2,111**	4,149	*(2,038)*	*-49%*	**10,888**	7,590	*3,298*	*43%*
Gain on derivative warrant liability	**-**	(307)	*307*	*-100%*	**(308)**	(274)	*(34)*	*12%*
Total Other Expenses	**2,111**	3,842	*(1,731)*	*-45%*	**10,580**	7,316	*3,264*	*45%*
Provision for deferred income taxes	**-**	(1,174)	*1,174*	*-100%*	**-**	(1,174)	*1,174*	*-100%*
Net loss for the period	**(9,245)**	(9,315)	*70*	*-1%*	**(27,808)**	(25,746)	*(2,062)*	*8%*
Other comprehensive loss								
Foreign exchange	**(7)**	(9)	*2*	*-22%*	**(2)**	(13)	*11*	*-85%*
DefFined benefit plan, net actuarial (loss) gain	**44**	57	*(13)*	*-23%*	**(104)**	131	*(235)*	*-179%*
Total comprehensive loss	**(9,208)**	(9,267)	*59*	*-1%*	**(27,914)**	(25,628)	*(2,286)*	*9%*
Loss per share								
Basic and diluted	**(0.10)**	(0.11)	*0.01*	*-9%*	**(0.32)**	(0.32)	-	*0%*
Weighted avg. # of shares o/s	**94,018,684**	82,190,348	*11,828,336*	*14%*	**86,116,773**	80,858,528	*5,258,245*	*7%*

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

The following table presents a reconciliation of the gross profit to adjusted gross profit for Q4-23 and FY-23 as compared to prior year periods.

			Change				*Change*	
	Q4-23	Q4-22	*$*	*%*	**FY-23**	FY-22	*$*	*%*
Gross Profit	**632**	985	*(353)*	*-36%*	**13,077**	6,281	*6,796*	*108%*
Gross Profit % to Revenues	**4.8%**	7.8%		-3.0%	**24.2%**	22.6%		1.6%
Adjustments								
Licence cost amortization	492	517	*(25)*	*-5%*	1,970	887	*1,083*	*122%*
Impairment of intangible assets	-	729	*(729)*	*-100%*	-	729	*(729)*	*-100%*
Inventory write-off – launch product	1,115	1,409	*(294)*	*-21%*	1,507	1,508	*(1)*	*0%*
Sales return – launch product	355	-	*355*	*0%*	355	-	*355*	*0%*
ADJUSTED GROSS PROFIT $	**2,594**	3,641	*(1,047)*	*-29%*	**16,909**	9,405	*7,504*	*80%*
Adjusted Gross Profit %	**19.8%**	28.7%		*-9.0%*	**31.4%**	33.9%		*-2.5%*

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

The following table provides a reconciliation of net loss to EBITDA Loss for Q4-23 and FY-23 as compared to prior year periods.

			Change				*Change*	
	Q4-23	Q4-22	*$*	*%*	**FY-23**	FY-22	*$*	*%*
Net Loss	**(9,245)**	(9,315)	*70*	*-1%*	**(27,808)**	(25,746)	*(2,062)*	*8%*
Adjustments								
Income taxes	-	(1,174)	*1,174*	*-100%*	-	(1,174)	*1,174*	*-100%*
Interest Expense	49	3,094	*(3,045)*	*-98%*	9,995	6,461	*3,534*	*55%*
Gain on derivative warrant liability	-	(307)	*307*	*-100%*	(308)	(274)	*(34)*	*12%*
Depreciation	162	65	*97*	*149%*	369	246	*123*	*50%*
Amortization	589	591	*(2)*	*0%*	2,257	1,172	*1,085*	*93%*
EBITDA Loss	**(8,445)**	(7,046)	*(1,399)*	*20%*	**(15,495)**	(19,315)	*3,820*	*-20%*
Other Adjustments								
Share-Based Compensation	109	235	*(126)*	*-54%*	870	941	*(71)*	*-8%*
Sales return – launch product	355	-	*355*	*100%*	355	-	*355*	*100%*
Recruitment costs - new product launch	6	75	*(69)*	*-92%*	55	75	*(20)*	*-27%*
New product launch costs	346	-	*346*	*0%*	554	-	*554*	*0%*
Inventory write-off	1,115	1,409	*(294)*	*-21%*	1,507	1,508	*(1)*	*0%*
Exchange Listing fees	-	-	-	-	-	169	*(169)*	*-100%*
Contract penalty / early termination	-	-	-	*0%*	28	-	*28*	*0%*
Impairment of intangible assets	-	1,223	*(1,223)*	*-100%*	-	1,223	*(1,223)*	*-100%*
Other provision (Severance)	-	-	-	*0%*	373	(349)	*722*	*-207%*
Foreign exchange	1,968	1,192	*776*	*65.1%*	820	1,263	*(443)*	*-35%*
Adjusted EBITDA Loss	**(4,546)**	(2,912)	*(1,634)*	*56%*	**(10,933)**	(14,485)	*3,552*	*-25%*

	Q4-23 vs Q4-22 and FY-23 vs FY-22
Revenues	• Revenues represent sales of products based on Valeo's list price less chargebacks, price adjustments or other deductions related to provincial PLA's, GPO's agreements, early payment cash discounts, product returns or others. Such chargebacks and price deductions vary on a product-by-product basis. Consequently, the mix of product sales will greatly influence revenues and ultimately our profitability. • Our revenues are trending upwards due to annualization of new products additions as well as continued traction in the market. Annualization tied to licensing of Ophthalmology products from Novartis (Xiidra, Simbrinza) and Allerject from Kaléo in Q3-2022 and impacted revenues over the last 4 quarters.

	• Q4-23 Revenue performance deviated from the previously established trend of consecutive record quarters in Q4-23 at $13.1 million compared to revenues of $12.6 million in Q4-22, a 4% increase and a -7% decrease versus prior Q3-23 quarter. Revenues in FY-23 increased 94% over FY-22. • The QoQ increase resulted mainly from annualization of sales activities in Ophthalmology (Xiidra, Simbrinza), and Allerject, as well as continued growth of our other core products, Redesca, Enerzair and Atectura. Our Asthma products continue to experience significant QoQ market share gains as they benefit from a 2nd year of commercialization post-securing broad public and provincial reimbursement. Enerzair continues to lead the fast-growing triple-active therapy asthma market, while Atectura continues to benefit from market share gains within the double-active therapy asthma market. • 2,967 HCPs were recommending our asthma products at the end of Q4-23, up 161% over Q4-22. • Total prescriptions for the 12-month period ended October 31, 2023, exceeded 67,000 prescriptions compared to 24,024 for the 12-month period ended October 31, 2022, a 179% YoY increase.
Gross Profit $ and ratio %	• From growing momentum on core assets coupled to relentless focus on execution and a leaner OPEX management, Valeo team expects to see an improvement in product mix, resulting in a significant improvement to gross profit - directly impacting overall profitability. • In addition to the transfer price for products, cost of goods also takes into consideration the amortization of product rights. Amortization of license costs have increased during the last 2 fiscal years following the signing of new license agreements with Novartis and Kaleo.
	• Q4-23 gross profit contribution was down -36% over Q4-22 period at $0.6 million. Gross profit for FY-23 period was up 108% over FY-22 at $13.1 million compared to $6.3 million. Our gross profit % in Q4-23 and FY-23 has been impacted by the catch-up on carrying provisions for rebates (PLA/GPO) and returns and increase in amortization of products rights for the Novartis and Kaleo products licensed in Q3-22. (See "Adjusted Gross Profit")
Adjusted Gross Profit $ and ratio %	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Adjusted Gross Profit is defined as gross profit from product sales less the amortization charges related to license fees, impairment charges, non-recurrent inventory write-offs specific to product launches and non-recurrent sales returns specific to product launches. • Management believes that Adjusted Gross Profit better reflects the true profit contribution of our product mix. • After eliminating the amortization charges as well as other non-recurrent adjustments, our Adjusted Gross Profit for Q4-23 decreased from Q4-22 at $2.6 million compared to $3.6 million representing a -29% decrease. Adjusted gross profit for the FY-23 period remained significantly up 80% over FY-22 at $16.9 million compared to $9.4 million. • Adjusted Gross Profit margin % has decreased slightly between Q4-23 and FY-23 compared to prior year periods because of the change in product mix with Ophthalmology and Allerject contributing to a significant portion of FY-23 revenues. The Ophthalmology and Allerject transactions have been structured predominantly based on a varying transfer price set to decrease over time for the duration of the respective agreements. • Q4-23 Adjusted EBITDA loss was also impacted by increased accruals to normalize carrying provisions for returns to better align with conditions reflective of specialty pharma market. Provision adjustments also carried out to PLA and GPO conditions to keep track of revenue mix and generated demand.
Sales and Marketing ("S&M") expenses	• Valeo commercializes Branded products requiring S&M support, as well as hospital products such as M-Eslon, which require limited S&M commitments. Staff costs represent the bulk of our S&M expenses, those expenses have increased following the expansion of our commercial team and the creation of our Respiratory/Allergy BU and more recently the addition of the Ophthalmology BU. Going forward we expect S&M expenses as a % of revenues to decrease over time as brands gain momentum in market and/or, investments are arbitrated in alignment with product lifecycle.
	• S&M expenses for Q4-23 were $5.1 million compared to $4.3 million for Q4-22, a 19% increase. • S&M expenses for FY-23 were $19.9 million compared to $15.8 million for FY-22, a 26% increase. • The QoQ and YoY increases resulted from the expansion of the commercial team footprint to support new branded products acquired in the second half of FY-22. • S&M as % of Revenues increased from 34% in Q4-22 to 39% of revenues in Q4-23 – driven by combination of new products added to portfolio as well as depress in Revenues from catch-up adjustments in provisions. Management expects S&M expenses as % of Revenues to return to downward trend as Revenues return to growth and incrementally leverage commercial infrastructure.
General and Administrative ("G&A") expenses	• Valeo's G&A expenses consist primarily of staff costs for our non-S&M management team such as administration, finance and accounting, business development, legal, IR, IT and supply chain personnel.
	• G&A expenses for Q4-23 were $1.7 million compared to $1.6 million for Q4-22, a 11% increase. • G&A expenses for FY-23 were $6.2 million compared to $5.0 million for FY-22, a 22% increase. For FY-22, our G&A expenses were impacted by a favorable $0.4 million fraud recovery. • G&A expenses in FY-23 included a $0.4 million non-recurrent severance paid to the departing COO. • Prior to taking into account the impact of the fraud recovery in FY-22 and the severance in FY-23, the YoY FY increase was 6%.

	• G&A expenses slightly increased as a % of revenues from 12% of revenues in Q4-22 compared to 13% of revenues in Q4-23. Excluding provisions adjustment on Revenues in Q4-23, G&A% would have remained unchanged. • G&A expenses have stabilized since implementation of the new corporate structure in the second half of FY-21. Looking ahead expectation is to re-enter downward trend as a % of revenues in FY-24. (See "Overview of the Business")
Medical Affairs and Regulatory ("MA & Reg") expenses	• MA & Reg expenses for Q4-23 were $0.7 million, representing a -50% decrease over Q4-22. • MA & Reg expenses for FY-23 were $3.2 million, -18% erosion compared to FY-22 despite the addition of several products in late FY-22. MA & Reg expenses in Q4-23 represented 6% of revenues as compared to 11% for Q4-22.
	• Same as for S&M and G&A expenses, expectation for MA & Reg expenses to trend downward as a % of revenues as Revenues momentum grows and core brands are positioned to capture market opportunities. (See "Selected Quarterly Financial Information")
Share-Based Compensation	• SBC expenses represent the costs relating to the issuance of stock options and RSUs/DSUs to new staff and board members and the vesting of same over time. • SBC expenses were $0.1 million in Q4-23 as compared to $0.2 million in Q4-22. • SBC expenses were $0.9 million in FY-23 as compared to $0.9 million for FY-22.
Profit Sharing	• Profit sharing arrangements represent agreements with our partners to share net contribution from the sale of products. Nominal variance observed on QoQ and YoY.
Total Operating Expenses ("Total OPEX") and Total OPEX as % of Revenues	• Total OPEX stood at $7.8 million in Q4-23, up 2% compared to $7.6 million in Q4-22. Total OPEX for the FY-23 period increased 17% over FY-22. • Total OPEX increased in the later part of FY-22 to reflect the addition of the Ophthalmology BU. • Despite the expansion of our commercial team to support the new ophthalmology BU, sample costs, the $0.4 million severance paid in Q1-23, and the $0.4 million recovery in FY-22, our ratio of total OPEX to revenues has declined significantly from 93% in FY-22 to 56% in FY-23. • Ratio of Total OPEX to Revenues expected to continue declining sequentially over the coming quarters as core portfolio continues gaining momentum, leveraging existing infrastructure. • Strict OPEX management and relentless focus on execution are expected to materialize a continued YoY expansion of gross profits and a direct impact to overall profitability.
Financial, net	• Financial expenses reflect the capital structure of the Corporation and include costs for issuing interest bearing debentures in lieu of shares to finance operations. Financial expenses also capture costs for non-recurrent use of operating line of credit, supplier financing, other financial charges, and bank fees. • Financial expenses also capture Foreign exchange (F/X) gain or loss, as well as lease interest.
	• Financial expenses in Q4-23 were $2.1 million compared to $4.1 million in Q4-22, Q4-23 includes $3.6M net benefit reflecting the actual royalty during the year and the updated forecast of future royalties as compared to the initial estimate. • Financial expenses in FY-23 were $10.9 million compared to $7.6 million in FY-22. • Financial expenses in FY-23 included the full impact of the $25.0 million convertible debenture financing completed in Q1-22 as well as the US$30 million debt financing completed in July 2022. • The increase between the reported periods also included the effective interest cost on the long-term debt (*see note 27 to financial statements*). The effective interest costs capture the cost relative to the issuance of warrants as a means of reducing the actual interest in such instruments. • Financial expenses in Q4-23 also included a $2.0 million unrealized net F/X loss, resulting from the conversion at the end of Q4-23 of the US$ denominated Sagard loan compared to the prior quarter, less F/X gain on cash. F/X rates are monitored, and it is management's view that current exposure is acceptable. Looking ahead, management intends to adopt more proactive measures to manage F/X exposure in connection with repayments of capital on the Sagard loan starting in the last quarter of FY-24. • The Net F/X impact for the FY-23 period was a $0.8 million loss.
Gain on derivative warrant liability	• Following the April 2021 bridge financing, warrants issued as part of the transaction resulted in the creation of an embedded derivative warrant liability. The warrants expired in Q2-23 and generated a $0.3 million unrealized gain in FY-23. No impact to Q4-23. • The embedded derivative was eliminated in Q2-23 on expiry of the warrants.
Net loss for the year	• In Q4-23, despite strong commercial gains and leveraging of commercial and corporate infrastructure, net loss was $9.2 million compared to $9.3 million in Q4-22 representing a nominal -1% decrease. • Net loss for FY-23 was $27.8 million compared to $25.7 million for FY-22, representing an 8% increase. • The increase in net loss FY-23 ($2.1 million) was predominantly due to the increase in financial expenses ($3.3 million) and the increase in S&M expenses ($4.0 million) to support the new business unit, which were only partly offset by gained sales traction and gross profit ($6.8 million). • Q4-23 Net loss aligned to Q4-22 despite Gross profit negatively impacted by provisions catch-up, upward OPEX pressures while Financial expenses showed QoQ favorable reduction ($2.0 million)

EBITDA (L)	• Management believes EBITDA performance is more indicative of the commercial progress achieved by the Corporation as it eliminates financial costs associated with financial structure and the amortization of prior investments in product portfolio such as license fees and regulatory filings. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• EBITDA Loss in Q4-23 was $8.4 million compared to $7.0 million in Q4-22, a 20% increase. • EBITDA Loss for the FY-23 period was $15.5 million compared to $19.3 million for the FY-22 period, a 20% decrease.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Adjusted EBITDA(L) includes adjustments such as Share-Based Compensation, foreign exchange as well as other non-recurrent adjustments to net loss such as material severance costs. • Following such adjustments, Adjusted EBITDA loss in Q4-23 was $4.5 million compared to $2.9 million in Q4-22, representing a -56% deterioration. Excluding catch-up adjustments to rebates/returns provisions, it would represent a -23% deterioration. • For the FY periods, Adjusted EBITDA loss decreased from $14.4 million for FY-22 to $10.9 million for FY-23, a 24% improvement. Again, excluding catch-up adjustments to rebates/returns provisions would represent a 31% improvement.

Consolidated Balance Sheet Highlights

			Change	
	YE-23	**YE-22**	*$*	*%*
Cash	**7,502**	22,501	*(14,999)*	*-67%*
Trade and other receivables	**6,565**	5,428	*1,137*	*21%*
Inventories	**10,246**	9,980	*266*	*3%*
Prepaid expenses and deposits	**930**	2,620	*(1,690)*	*-65%*
Intangible assets	**13,300**	15,482	*(2,182)*	*-14%*
Total assets	**41,207**	58,265	*(17,058)*	*-29%*
Revolving credit facility	**2,794**	-	*2,794*	*100%*
Accounts payable and accrued liabilities	**11,416**	12,458	*(1,042)*	*-8%*
Provisions	**4,188**	1,779	*2,409*	*135%*
Convertible debentures	**-**	743	*(743)*	*-100%*
Derivative warrant liability	**-**	308	*(308)*	*-100%*
Current portion of long-term debt	**1,807**	-	*1,807*	*100%*
Total current liabilities	**20,274**	15,339	*4,935*	*32%*
Convertible debentures	**22,368**	20,332	*2,036*	*10%*
Advance from shareholders	**592**	-	*592*	*100%*
Long-term debt	**36,796**	39,201	*(2,405)*	*-6%*
Total liabilities	**81,544**	76,113	*5,431*	*7%*
Share capital	**31,696**	26,359	*5,337*	*20%*
Warrants	**2,967**	2,926	*41*	*1%*
Equity component of convertible debenture	**2,989**	3,114	*(125)*	*-4%*
Deficit	**(82,264)**	(54,456)	*(27,808)*	*51%*

	YE-23 vs YE-22
Cash	• Cash balance at the end of Q4-23 stood at $7.5 million compared to $22.5 million at YE-22 representing a $15.0 million decrease. The decrease between the two reported periods included 1) the second $5 million license fee payment to Novartis for acquiring the rights to Xiidra and Simbrinza (see "*accounts payables*") 2) inventory purchases to support the sale of new products, and 3) working capital and operating requirements for FY-23. • The reduction in Cash during Q4-23 was only $2.3 million compared to the end of the prior quarter.
Trade and other receivables	• Trade and other receivables increased to $6.6 million at YE-23, a $1.1 million increase from YE-22 at $5.4 million. YoY $1.1 million increase (or 21%) is tied to increase in sales volumes across the wholesale and distribution network.
Inventories	• Inventory levels increased by $0.3 million between YE-22 and YE-23 to support the growth of Redesca, Enerzair and Atectura also acquiring inventory specific to Xiidra, Simbrinza and Allerject shortly rounding up towards a first year of activity.

Prepaid expenses and deposits	• Prepaids and deposits decreased by $1.7 million between YE-22 and YE-23. The YE-22 balance included a $2 million prepayment to a vendor for inventory paid in FY-22 and delivered in the first week of FY-23.
Intangible assets	• Intangible assets represent investments made in order to build product pipeline and are amortized using the straight-line method, over the remaining useful life of the asset (or license) starting when the product is ready for commercialization. • Intangible assets are tested quarterly for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each asset exceeds its book value. • Intangible assets have decreased by $2.2 million at the end of YE-23 compared to YE-22 reflecting amortization charges for the period.
Total assets	• Total assets decreased by $17.1 million between YE-22 and YE-23, reflecting cash used to support operations and settle the second $5 million payment to Novartis for the rights to Xiidra and Simbrinza.
Revolving credit facility	• Implemented in Q4-23 via agreement with Accord Financial. (*see note 10 to consolidated financial statements*).
Accounts payable and accrued liabilities	• Accounts payable and accrued liabilities have decreased by $1.0 million between YE-22 and YE-23, representing an 8% decrease. The decrease is mainly due to amounts outside Trade payables. YE-22 carries a $5.0 million for License fee while YE-23 supports greater accrued liabilities. (*see note 11 to consolidated financial statements*).
Provisions	• Provisions include accruals for: i) sales returns and ii) price rebate and chargebacks resulting from co-pay programs, GPO and PLA agreements not yet invoiced. • Provisions required at the end of Q4-23 have increased by $2.4 million or, 135% compared to YE-22 reflecting commercial conditions evolution – including $1.7 million increase for GPO and PLA rebates (evolution in product demand mix over the last completed quarters and the corresponding accruals) and re-aligning carried returns provision to Canadian specialty pharma industry practice.
Current portion of Convertible Debentures	• Convertible debentures issued in February and March 2020 matured during Q2-23 and were all converted into common shares.
Derivative warrant liability	• This liability was eliminated in Q2-23 due to the maturity and conversion of the debentures.
Current portion of long-term debt	• Corresponds to current portion of long-term debt contracted with Sagard becoming due in Q4-24 *(see "Long-Term Debt" in this table and note 17 to consolidated financial statements)*
Total current liabilities	• Our current liabilities between YE-22 and YE-23 increased 32% due to cumulative impacts from implementation of Revolving Credit Facility, increase in Provisions and a current portion of long-term debt.
Convertible debentures	• During Q1-22, the Corporation completed a $25 million convertible debentures financing. • The YE-23 and YE-22 amounts are presented after netting the transaction costs, the allocation of the conversion features of the debenture to the equity component, as well as the accretion expense. The $2.0 million reduction since YE-22 includes $1.7 million from accretion expense for FY-23 period.
Advance from a Shareholder	• Represent loan agreement with related party of $0.6 million + annual interest rate of 12%.
Long-term debt	• As a result of the Sagard Senior Secured Debt transaction in July 2022, the Corporation is now recording a US$30 million debt as long-term liability. The debt matures in 5 years and is denominated in US$. Consequently, the Q4-23 balance represents the Canadian $ equivalent of the Sagard debt, less the value of the warrants issued as part of the transaction and recorded as equity and the transaction costs. • The Q4-23 value of the Sagard Debt decreased by $2.4 million since YE-22 due to 1) a +$2.0 million accretion expense for the FY-23 period, 2) a -$3.6 million the revised estimation for interest in the form of royalty, and 3) F/X impact of converting Sagard debt at YE-22 and YE-23 which led to a +$0.7 million loss for FY-23.
Share capital	• The increase between the periods was due to the conversion of debentures which matured during Q3-23. • Private placement ("PIPE") completed on August 31, 2023, $3.9 million converted in Units (shares and warrants) on closing of the PIPE.
Deficit	• The increase reflects the performance of the Corporation during the period (See "Consolidated Statement of Loss")

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q4-23	Q3-23	Q2-23	Q1-23	**Q4-22**	Q3-22	Q2-22	Q1-22
Revenues	**13,108**	14,082	13,558	13,162	**12,663**	6,073	4,768	4,241
Cost of Goods Sold	**12,476**	9,812	9,112	9,433	**11,678**	3,845	3,109	2,832
Gross Profit	**632**	4,270	4,446	3,729	**985**	2,228	1,659	1,409
Gross Profit % to Revenues	***4.8%***	*30.3%*	32.8%	*28.3%*	***7.8%***	36.7%	*34.8%*	*33.2%*
Adjusted Gross Profit[1]	**2,594**	5,052	5,024	4,239	**3,640**	2,451	1,788	1,526
Adjusted Gross Profit %[1]	***19.8%***	*35.9%*	37.1%	*32.2%*	***28.7%***	40.4%	*37.5%*	*36.0%*
Expenses								
Sales and Marketing	**5,143**	5,439	4,800	4,491	**4,314**	4,098	3,539	3,881
General and Administrative	**1,742**	1,443	1,349	1,623	**1,568**	1,245	964	1,265
Medical affairs, QA & regulatory	**721**	741	847	896	**1,444**	680	814	990
Share-Based Compensation	**109**	14	228	519	**235**	262	222	222
Profit Sharing	**51**	63	24	62	**71**	28	32	11
Total OPEX	**7,766**	7,700	7,248	7,591	**7,632**	6,313	5,571	6,369
Total OPEX as % of Revenues	***59.2%***	*54.7%*	*53.5%*	*57.7%*	***60.3%***	*104.0%*	*116.8%*	*150.2%*
Operating Loss	**(7,134)**	(3,430)	(2,802)	(3,862)	**(6,647)**	(4,085)	(3,912)	(4,960)
Other Expenses (income)								
Financial, net	**2,111**	2,408	3,886	2,483	**4,149**	1,282	1,169	990
Gain on derivative warrant liability	**-**	-	(211)	(97)	**(307)**	14	17	2
Income taxes	**-**	-	-	-	**(1,174)**	-	-	-
Net Loss for the year	**(9,245)**	(5,838)	(6,477)	(6,248)	**(9,315)**	(5,381)	(5,098)	(5,952)
EBITDA (Loss)[1]	**(8,445)**	(1,832)	(2,738)	(2,480)	**(7,046)**	(3,910)	(3,634)	(4,725)
Adjusted EBITDA (Loss)[1]	**(4,546)**	(2,480)	(1,694)	(2,213)	**(2,912)**	(3,465)	(3,637)	(4,471)

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

Notes	**Valuable information**
Revenues	• Q4-23 Revenues were down from Q3-23 due to catch-up in carried rebates/returns provisions. Provision catch-up excluded, Valeo sales performance would have continued with another quarterly improvement in revenue - which is indicative of the continued commercial progress made by Redesca, Enerzair and Atectura, and revenues added via Ophthalmology and Allerject in the later part of FY-22. • Q4-22 revenues increased significantly compared to prior quarters following the addition of Xiidra, Simbrinza and Allerject as well as the organic growth on other key products.
Adjusted Gross Profit $	• Adjusted Gross Profit is also negatively impacted by adjustments carried out on rebates/returns provision. Product mix relative contribution is driving a temporary bias in Adjusted Gross Profit. • Expecting fiscal year 2024 performance to return to Improvement trend observed in previous 7 quarters.
Sales and Marketing	• S&M expenses decreased in Q4-23 compared to Q3-23 mainly driven by -$0.2 million in sample costs QoQ (aligned to IFRS purchase-basis, instead of usage). • S&M increased in Q4-22 and Q1-23 reflecting addition of Ophthalmology business unit. Q2-23 and Q3-23 also materializing increases tied to momentum in Asthma/Allergy business unit.
General and Administrative	• G&A expenses generally stable through FY-23 when excluding $0.4 million severance paid to departing COO in Q1-23. Our Q3-22 G&A expenses were positively impacted by a $0.4 million recovery from the fraud recorded in Q2-22.
Medical Affairs and Regulatory	• Medical Affairs and Regulatory activities have declined in Q1-23 compared to the prior period due to timing of MA & Reg activities, as well as a $0.5 million impairment charges on intangible assets expensed in Q4-22.
Share-Based Compensation	• Represents the costs of issuing stock options, RSUs and DSUs (Long-Term Incentive Plan or "LTIP"). Fluctuation between quarters is due to the hiring of staff, the addition of Board members and the vesting associated with LTIP initiatives. In Q3-23, Share-based compensation decreased compared to the prior quarter due to an

	increase in the forfeiture rate of options to reflect the revised percentage of options granted that are expected to cancel or to forfeit based on historical data.
Profit Sharing	• Starting FY-21, the Corporation started accruing and paying amounts under profit-sharing arrangements. Such arrangements are meant to adjust the transfer price to be paid by Valeo and have the licensee and licensor share the commercial success of the products.
Total Operating Expenses ("Total OPEX")	• Despite the varying costs of samples purchased, total OPEX have been stable over the last few quarters after being impacted by expenses related to the addition of the new Ophthalmology business unit in the later part of FY-22. • The ratio of total OPEX to revenues is trending down and indicative of our commercial progress and better utilization of our operating leverage. The ratio of OPEX to revenues was 59% in Q4-23 and negatively impacted by revenue pressured by catch-up in carrying provisions for rebates/returns – without provision adjustment, Total OPEX as % of Revenues would be aligned to Q3-23 at 55%. From longitudinal point of view, all FY-23 quarters show considerable improvement versus FY-22 quarters. Since Fall 2021, Total OPEX had increased to support the growth of commercial platform and HO infrastructure thus providing significant leverage to grow revenues and add key products to commercial portfolio. • Ratio of Total OPEX to revenues expected to continue downward trend as: 1) core portfolio products continue gaining momentum and generate incremental profitability to absorb commercial platform and head office infrastructure and, 2) OPEX optimization program implementation *(see "Subsequent Events" section)*
Financial, net	• Financial expenses were slightly down in Q4-23 mainly due to revised estimate on interest in the form of royalty with $3.6 million positive impact significantly offsetting a rather large portion of the interest on long-term debt. • Financial expenses were down in Q3-23 due to a $1.0 million positive net F/X impact on converting the quarter end balance of the US$ denominated debt. This F/X impact, which followed a $0.6 million negative impact and $0.7 million positive impact over the previous quarters in Q2-23 and Q1-23. Before considering the F/X impact, the increase observed since Q4-22 reflects the addition of the Sagard debt late in Q3-22. • Financial expenses increased in Q1-22 following the implementation of the $25 million convertible financing.
Net loss for the year	• Net loss in Q1-23 decreased by 33% compared to Q4-22 and reflects the increase in our gross profit, and tight control over OPEX. The net loss in Q4-22 reflected a significant write-off on intangibles which was necessary to adjust the carrying value of some intangible assets. • Q4-23 Net loss increase vs Q3-23 mainly driven by catch-up in carrying provisions for rebates/returns which directly translates to Gross Profit as well as Inventory write-off tied to newly commercialized brand.
EBITDA (Loss)	• Q4-23 EBITDA loss outlier to downward trend as result of catch-up in carrying provisions for rebates/returns directly translating to Gross Profit as well as Inventory write-off tied to newly commercialized brand.
Adjusted EBITDA (Loss)	• Adjusted EBITDA (loss) in Q4-23 increased compared to the prior quarter as a result of 1) lower than expected margins due to increased accruals to normalize the level of provisions for GPO and PLA charges to keep track of our revenue mix, and 2) adjustment to sales return provision to better align with conditions reflective of specialty pharma market. • Over the last 8 quarters period, Adjusted EBITDA performance reflected the sequential QoQ increase in our revenues and gross profit, and control over OPEX. • Similar to Net Loss and EBITDA (Loss), expectation is that Adjusted EBITDA performance will return to improvement trend over the coming quarters – materializing positive sales momentum in core products Redesca, Enerzair and Atectura, and translating into incremental operating profit and contributing to Valeo reaching profitability.

LIQUIDITIES AND CAPITAL RESOURCES

			Change				*Change*	
	Q4-23	Q4-22	*$*	*%*	**FY-23**	FY-22	*$*	*%*
Operating Activities								
Net loss from operations	**(9,245)**	(9,315)	*70*	*-1%*	**(27,808)**	(25,746)	*(2,062)*	*8%*
Other Items not affecting cash	**2,512**	5,693	*(3,181)*	*-56%*	**7,897**	8,727	*(830)*	*-10%*
Changes in non-cash working capital	**(937)**	(2,490)	*1,553*	*-62%*	**4,216**	(11,484)	*15,700*	*-137%*
Cash used by operations	**(5,670)**	(6,112)	*(1,558)*	*25%*	**(15,695)**	(28,503)	*12,808*	*-45%*
Investing activities								
Cash used by investing activities	**(29)**	(43)	*14*	*-33%*	**(5,553)**	(6,891)	*1,338*	*-19%*
Financing Activities								
Cash provided by financing activities	**5,053**	(41)	*5,094*	*-1000%*	**6,189**	54,991	*(48,802)*	*-89%*
Foreign exchange loss on cash	**372**	975	*(603)*	*-62%*	**60**	861	*(801)*	*-93%*
Increase (decrease) in cash	**(2,274)**	(5,221)	*2,947*	*-56%*	**(14,999)**	20,458	*(35,457)*	*-173%*
Cash, beginning of the period	**27,722**	27,722	*(0)*	*0%*	**22,501**	2,043	*20,458*	*1000%*
Cash, end of period	**25,448**	22,501	*2,947*	*13%*	**7,502**	22,501	*(14,999)*	*-67%*

	Q4-23 vs Q4-22 and FY-23 vs FY-22
Cash used in operations	• Cash used in operations represents cash flows from operations, excluding income and expenses not affecting cash. • Cash used in operations for Q4-23 was $2.7 million compared to $6.1 million in Q4-22, a $3.4 million improvement. The increase came from a $6.6 million increase in non-cash working capital partly offset by $3.2 million from items not affecting cash which offset the nominal $0.1 million improvement in net loss from operations. • For the FY periods, cash used by operations was $15.7 million, representing a $12.8 million improvement YoY. Same as for the QoQ period, the positive variance came from a $15.7 million positive variance in non-cash working capital partly offset by $0.8 million negative variance from items not affecting cash and the $2.1 million increase in net loss from operation.
Cash used in investing activities	• Cash used in investing activities shows nominal amounts in Q4-23 and Q4-22. • Vast majority of investments from first three quarters of FY-23 mainly associated to acquisition of intangible assets / licenses from Novartis. On an accessory basis, nominal amounts also invested in office equipment, software and warehouse to support the expansion of activities.
Cash provided by financing activities	• Implementation of Revolving Credit Facility generated $2.8 million at end of October 2023. *(see note 10 of Financial Statements)* • During Q4-23 and FY-23 financing activities generated net cash of $5.1 million and $6.2 million compared to $0.4 million and $55.0 million for the corresponding prior year periods. • During FY-23, $3.9 million gross proceeds were secured in Q3-23 as commitments into the August 2023 Private placement and $0.6 million from related party loan. During FY-22, gross proceeds of $25.0 million and $38.5 million were secured from the December 2021 convertible debt offering, as well as the $30.0 million US$ denominated Sagard long-term debt financing in Q3-22. The YTD-22 financing activities were also impacted by $1.5 million repayment of debentures, and $3.5 million of financing fees.

Related Party Transactions

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

	2023	2022
Key management salary and benefits	**1,683**	1,328
Directors and employee stock option compensation	**870**	706
Consulting fees paid to a company controlled by an officer	**347**	220
Interest on convertible debentures owned to key management, officers and directors	**32**	30
Interest on convertible debentures owned to 100079 Canada Inc., a shareholder of the Corporation	**185**	173
Service income	**41**	42
Interest on advance from a shareholder	**12**	-

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

	October 31, 2023	October 31, 2022
Amounts owed to key management, officers and directors		
Consulting fees	**-**	20
Expenses incurred in the normal course of business	**1**	-
Convertible debentures	**244**	486
Accrued interest on convertible debentures	**11**	8
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,416**	1,313
Accrued interest on convertible debentures	**65**	15
Advance from shareholders	**580**	-
Accrued interest on advance from a shareholder	**12**	-
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**96**	48
Amounts owed from a shareholder		
Advance to a shareholder	**49**	-

Going Concern

These consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the fiscal year ended October 31, 2023, the Corporation incurred a net loss of $27,808 and used cash in operations of $15,695. As at October 31, 2023, the Corporation had a working capital surplus of $4,969. This raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

Liquidities

			Change	
As at	**YE-23**	YE-22	*$*	*%*
Cash	**7,502**	22,501	*(14,999)*	*-67%*
Trade and other receivables	**6,565**	5,428	*1,137*	*21%*
Inventories	**10,246**	9,980	*266*	*3%*
Prepaid expenses and deposits	**930**	2,620	*(1,690)*	*-65%*
Revolving credit facility	**2,794**	-	*2,794*	*100%*
Accounts payables and accrued liabilities	**11,416**	12,458	*(1,042)*	*-8%*
Provisions	**4,188**	1,779	*2,409*	*135%*
Working Capital	**4,969**	25,190	*(20,221)*	*-80%*

Cash at the end of Q4-23 stood at $7.5 million as compared to $22.5 million at the start of the year, representing a $15.0 million decrease, a $2.3 million decrease from prior quarter Q3-23. Working capital surplus at the end of YE-23 stood at $5.0 million compared to $25.2 million at YE-22 representing a $20.2 million decrease.

Recognizing the need to fund operations and inventory requirements, over the course of Q4-23, Valeo proceeded with a series of transactions aimed at improving further its working capital. (See "Q4-23 Highlights"). The transactions completed in August contributed net proceeds of $4.5 million. These transactions as well as the line of credit implemented in Sep-2023 provided nearly $5.0 million of working capital flexibility to Valeo.

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

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

Q4-23 presents a break in trend versus 7 consecutive record quarterly revenue and adjusted gross profit performance. The break in trend mainly explained by adjustments to carrying provisions for returns and rebates. Following Q4-23 outlier, management expects the growing contribution of core products to materially impact revenues and gross profit going forward. Valeo is determined to reach EBITDA profitability in the near future by leveraging commercial potential of current product portfolio and applying relentless focus to operations. Leveraging existing commercial assets and footprint, optimizing scale via acquisition of additional product rights immediately contributing to results, is of the upmost importance for Valeo's management to reach EBITDA profitability over the coming year.

Opportunity to Accelerate growth and profitability through Business Development and Licensing

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

Entering into in-licensing agreements with pharmaceutical companies necessitates the payment of up-front amounts, milestone payments as well as all the costs normally associated with preparing for the launch of a pharmaceutical product. Going forward, Valeo intends to fund these in-licensing agreements with a combination of cash, cash from operations, equity provided by current and new shareholders, as well as convertible or non-convertible debt if required. Funding requirements to acquire product rights vary widely depending upon the nature and potential of the product and the in-licensing agreement, the Corporation intends to seek funding on a project-by-project basis and to prioritize product acquisition to continue leveraging existing commercial infrastructure and seeking cash accretive returns.

Financial Risk Factors

(a) Market risk

(i) Currency risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation has an investment in a U.S. subsidiary, however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at October 31, 2023, a 5% increase/decrease in the USD/CAD exchange rates would have a $1,747 (2022 - $1,373) impact on net loss and equity.

Other Comprehensive Income would not be materially impacted in the above situation.

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

	October 31, 2023		October 31, 2022	
As at	**USD currency**	**CAD equivalent**	USD currency	CAD equivalent
Cash	**5,027**	**6,974**	11,120	15,177
Trade and other receivables	**430**	**597**	14	20
Revolving credit facility	**1,500**	**2,081**	-	-
Accounts payable and accrued liabilities	**1,317**	**1,827**	1,026	1,401
Long-term debt	**27,823**	**38,603**	30,226	41,256

(ii) Cash flow and fair value interest rate risk

The Corporation is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate exposure under its senior debt facility. Convertible debentures or long-term debts negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

(b) Credit Risk

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

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

As at October 31, 2023, 92% (2022 – 94%) of trade accounts receivables were current and three customers accounted for 77% (2022 – 83%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at October 31, 2023	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	**2,841**	**-**	**-**	**-**	**2,841**
Accounts payable, accrued liabilities, and provisions	**3,469**	**3,952**	**5,906**	**-**	**13,327**
Lease liability	**20**	**41**	**170**	**2,352**	**2,583**
Convertible debentures, including interest	**300**	**750**	**2,550**	**25,750**	**29,350**
Advance from a shareholder, including interest	**-**	**-**	**-**	**592**	**592**
Long-term debt, including interest and exit fees	**1,393**	**160**	**6,723**	**60,012**	**68,288**
	8,023	**4,903**	**15,349**	**88,706**	**116,981**

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

(d) Capital Structure Financial Policy

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

The Corporation manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations. The Corporation currently funds the working capital requirements from its cash balance, out of its internally generated cash flows and the use of credit facilities when available. To maintain or adjust the capital structure, the Corporation will work to secure new debt or raise capital that would provide additional capital. As at October 31, 2023, the Corporation is not subject to any externally imposed capital requirements.

Risk Factors

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

Disclosure Controls and Procedures

The Corporation is committed to providing timely, accurate and balanced disclosure of all material information about the Corporation and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its disclosure controls and procedures ("DC&P") to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Corporation have been detected. Management continues to evolve and enhance its system of controls and procedures. Management, after evaluating the effectiveness of the Corporation's DC&P as at October 31, 2023, have concluded that the Corporation's DC&P are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

Internal Control Over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Corporation has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. For the nine-month period ended October 31, 2023, management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Corporation. Based on this evaluation, management concluded that the ICFR were appropriately designed, and no material weaknesses or significant deficiencies were noted, as at October 31, 2023. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our DC&P or ICFR will prevent all errors or all fraud.

Disclosure of Outstanding Share Data

Valeo's authorized share capital consists of an unlimited number of Common Shares. As at January 29, 2024, Valeo had 98,666,855 Common Shares outstanding. In addition, a total of 48,282,760 Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Valeo, and comprised of:

i. 21,739,132 Common Shares issuable upon conversion of the Convertible Debentures,
ii. 19,768,413 Common Shares issuable upon exercise of Warrants,
iii. 13,393 Common Shares issuable upon exercise of RSUs (assuming full vesting),
iv. 395,850 Common Shares issuable upon exercise of DSUs (assuming full vesting), and
v. 6,365,972 Common Shares issuable upon exercise of Options (assuming full vesting).

Consolidated Financial Statements

Valeo Pharma Inc.

October 31, 2023

Independent auditor's report

To the Shareholders of Valeo Pharma Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Valeo Pharma Inc. and its subsidiaries (together, the Corporation) as at October 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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

- the consolidated statements of financial position as at October 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years the ended;
- the consolidated statements of changes in shareholder's equity (deficit) for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

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

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets *Refer to note 2 – Summary of Significant Accounting Policies, note 3 – Use of Estimates and Judgments and note 9 – Intangible assets to the consolidated financial statements.* The Corporation had $13.3 million of intangible assets as at October 31, 2023 related to submission costs and license fee. Intangible assets are tested for impairment whenever there is an indication that the carrying amount of the asset or the cash generating unit (CGU) to which an asset has been allocated exceeds its recoverable amount, in addition intangible assets with an indefinite life are tested for impairment annually. An impairment is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Management makes significant judgments in determining the recoverable amounts of the Corporation's intangible assets. In the current year, management identified indicators of impairment for certain assets. Management determined the recoverable amounts of its intangible assets for which there were impairment indicators using the fair value less cost of disposal method with discounted cash flow models. Management determined that significant assumptions relate to market growth rates, market shares and discount rate. During the current year, no impairment charge was recognized.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts of the intangible assets for which there were impairment indicators which included the following: – Evaluated the appropriateness of the method applied and the discounted cash flow models. – Tested the underlying data used in the discounted cash flow models and tested the mathematical accuracy thereof. – Tested the reasonableness of significant assumptions related to the market growth rates and market shares by considering external industry and market data. – Performed sensitivity analysis to assess the possible impact of changes to the market shares assumptions used by management. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discount rate used by management.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment by management in developing assumptions to determine the recoverable amounts of the intangible assets for which there was an impairment indicator. This in turn resulted in significant audit effort and subjectivity in performing procedures to test the recoverable amounts determined by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	
Provisions for product returns, pricing rebates and chargebacks *Refer to note 2 – Summary of Significant Accounting Policies, note 3 – Use of Estimates and Judgments and note 12 – Provisions to the consolidated financial statements.* Gross revenue is reduced by product returns, pricing rebates and chargebacks. The provisions for estimated product returns, pricing rebates and chargebacks (the provisions) was $4.1 million as at October 31, 2023. The provisions are made using assumptions and contractual sales terms. Determining an appropriate provision requires judgment and estimation by management, particularly for new or acquired products where the Corporation has no or limited access to historical trends. Management's estimate includes determining the assumptions related to the future claims for end-customer sales, the sales mix and the rate of returns. The assumptions are based on historical trends, current and past financial results and projected market conditions. Projected market conditions are evaluated using wholesaler and market research data and internally generated information.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the provisions, which included the following: – Evaluated the appropriateness of the method applied by management in determining the provisions. – Tested the underlying data used in the calculation of the provisions, such as contractual sales terms. – Tested the reasonableness of assumptions by considering historical trends, current and past financial results and wholesaler and market research data, as applicable. – Compared the actual charges recorded throughout the current fiscal year to prior year provisions.

Key audit matter	How our audit addressed the key audit matter
This process requires judgment due to the timeframe between a sale to a wholesaler and a settlement of the rebates or chargeback owed under a government program or under the terms of a customer's right of return. We consider this as a key audit matter due to the significant judgment by management in developing assumptions to determine the provisions. This in turn resulted in significant audit effort and subjectivity in performing procedures to test the provisions determined by management.	

Other information

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/PricewaterhouseCoopers LLP[1]

Québec, Quebec
January 25, 2024

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

Valeo Pharma Inc.

Consolidated Statements of Financial Position

(All amounts in thousands of Canadian dollars)

As at	*Notes*	**October 31, 2023**	October 31, 2022
ASSETS			
Current			
Cash		**7,502**	22,501
Trade and other receivables	*4*	**6,565**	5,428
Inventories	*5*	**10,246**	9,980
Prepaid expenses and deposits	*6*	**930**	2,620
Total current assets		**25,243**	40,529
Property and equipment	*7*	**1,588**	1,373
Right of use assets	*8*	**1,076**	881
Intangible assets	*9*	**13,300**	15,482
Total assets		**41,207**	58,265
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Revolving credit facility	*10*	**2,794**	-
Accounts payable and accrued liabilities	*11*	**11,416**	12,458
Provisions	*12*	**4,188**	1,779
Lease liability	*13*	**69**	51
Convertible debentures	*14*	**-**	743
Derivative warrant liability	*15*	**-**	308
Current portion of long-term debt	*17*	**1,807**	-
Total current liabilities		**20,274**	15,339
Lease liability	*13*	**1,335**	1,114
Convertible debentures	*14*	**22,368**	20,332
Advance from a shareholder	*16*	**592**	-
Long-term debt	*17*	**36,796**	39,201
Defined benefit obligations	*19*	**179**	127
Total liabilities		**81,544**	76,113
SHAREHOLDERS' EQUITY			
Share capital	*20a*	**31,696**	26,359
Warrants		**2,967**	2,926
Contributed surplus		**4,582**	4,410
Equity component of convertible debentures		**2,989**	3,114
Accumulated other comprehensive loss		**(307)**	(201)
Deficit		**(82,264)**	(54,456)
Total shareholders' equity (deficit)		**(40,337)**	(17,848)
Total liabilities and shareholders' equity		**41,207**	58,265

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

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

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

Valeo Pharma Inc.

Consolidated Statements of Loss and Comprehensive Loss

(All amounts in thousands of Canadian dollars, except for share and per share information)
For the years ended October 31, 2023 and 2022

	Notes	**2023**	2022
Revenues		**53,910**	27,745
Cost of goods sold	*23*	**40,833**	21,464
Gross Profit		**13,077**	6,281
Expenses			
Sales and marketing	*24*	**19,873**	15,832
General and administrative	*25*	**6,157**	5,042
Medical affairs and regulatory	*26*	**3,205**	3,928
Share-based compensation	*20b,c,d*	**870**	941
Profit sharing	*32*	**200**	142
Total operating expenses		**30,305**	25,885
Operating loss		**(17,228)**	(19,604)
Other expenses (income)			
Financial, net	*27*	**10,888**	7,590
Gain on derivative warrant liability	*15*	**(308)**	(274)
Total other expenses		**10,580**	7,316
Net loss before income taxes		**(27,808)**	(26,920)
Provision for income taxes			
Deferred	*18*	**-**	1,174
Net loss for the year		**(27,808)**	(25,746)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**(2)**	(13)
Defined benefit plan, net actuarial (loss) gain	*19*	**(104)**	131
Total comprehensive loss for the year		**(27,914)**	(25,628)
Loss per share:			
Basic and diluted	*21*	**(0.32)**	(0.32)
Weighted average number of shares outstanding		**86,116,773**	80,858,528

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

Valeo Pharma Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(All amounts in thousands of Canadian dollars)

For the years ended October 31, 2023 and 2022

	Notes	Share Capital	Warrants	Contributed surplus	Equity component convertible debenture	Accumulated Other Comprehensive Loss: Defined benefit plan	Accumulated Other Comprehensive Loss: Foreign exchange translation	Deficit	Total
Balance as at October 31, 2021		24,616	3,769	2,397	300	(294)	(25)	(28,710)	2,053
Net loss		-	-	-	-	-	-	(25,746)	(25,746)
Other comprehensive income (loss)		-	-	-	-	131	(13)	-	118
Share-based compensation	*20b,c*	-	-	941	-	-	-	-	941
Stock options exercised	*20a*	168	-	(65)	-	-	-	-	103
Equity instruments issued to consultants		34	-	-	-	-	-	-	34
Compensation units expired	*20f*	93	9	(102)	-	-	-	-	-
Equity component of convertible debentures issued	*14a*	-	-	-	3,257	-	-	-	3,257
Convertible debentures converted	*14c*	1,121	-	-	(175)	-	-	-	946
Warrants issued	*20e*	-	447	-	-	-	-	-	447
Warrants exercised	*20e*	327	(36)	-	-	-	-	-	291
Warrants expired	*20e*	-	(1,239)	1,239	-	-	-	-	-
Issue costs	*20e*	-	(24)	-	(268)	-	-	-	(292)
Balance as at October 31, 2022		**26,359**	**2,926**	**4,410**	**3,114**	**(163)**	**(38)**	**(54,456)**	**(17,848)**
Net loss		-	-	-	-	-	-	(27,808)	**(27,808)**
Other comprehensive loss		-	-	-	-	(104)	(2)	-	**(106)**
Share-based compensation	*20b,c,d*	-	-	870	-	-	-	-	**870**
Settlement of share-based awards	*20c*	627	-	(627)	-	-	-	-	**-**
Withholding taxes on share-based settlement		(161)	-	99	-	-	-	-	**(62)**
Compensation units expired	*20f*	129	41	(170)	-	-	-	-	**-**
Convertible debentures converted	*14c*	934	-	-	(125)	-	-	-	**809**
Shares issued	*20a*	3,920	-	-	-	-	-	-	**3,920**
Issue costs	*20a*	(112)	-	-	-	-	-	-	**(112)**
Balance as at October 31, 2023		**31,696**	**2,967**	**4,582**	**2,989**	**(267)**	**(40)**	**(82,264)**	**(40,337)**

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

Valeo Pharma Inc.

Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars)
For the years ended October 31, 2023 and 2022

	Notes	**2023**	2022
OPERATING ACTIVITIES:			
Net loss for the year		**(27,808)**	(25,746)
Adjustments:			
Depreciation and amortization	*7,8,9*	**2,626**	1,418
Impairment of intangible assets		**-**	1,223
Share-based compensation	*20b,c,d*	**870**	941
Interest expense	*27*	**5,487**	3,347
Interest in the form of royalty	*17*	**652**	164
Estimate revision on interest in the form of royalty	*17*	**(3,593)**	-
Deferred income taxes	*18*	**-**	(1,174)
Consulting fees paid by issuance of equity instruments		**-**	34
Defined benefit pension plan expense	*19*	**(52)**	(33)
Unrealized loss on foreign exchange		**708**	1,573
Gain on derivative warrant liability	*15*	**(308)**	(274)
Write down of inventories	*23*	**1,507**	1,508
Net change in non-cash working capital	*22*	**4,216**	(11,484)
Cash used by operating activities		**(15,695)**	(28,503)
INVESTING ACTIVITIES:			
Acquisition of property and equipment	*7*	**(478)**	(359)
Acquisition of intangible assets	*9*	**(5,075)**	(6,532)
Cash used by investing activities		**(5,553)**	(6,891)
FINANCING ACTIVITIES:			
Increase in revolving credit facility	*10*	**2,790**	-
Principal repayment of lease liabilities	*13*	**(224)**	(188)
Increase in convertible debentures	*14*	**-**	21,335
Increase in advance from a shareholder	*16*	**580**	-
Repayment of interest in the form of royalty	*17*	**(659)**	-
Financing proceeds	*17*	**-**	38,472
Repayment of non-convertible debentures		**-**	(1,480)
Financing fees	*10,17,20*	**(218)**	(3,542)
Proceeds from issuance of shares	*20a*	**3,920**	-
Warrants exercised	*20e*	**-**	291
Stock options exercised	*20b*	**-**	103
Cash provided by financing activities		**6,189**	54,991
Foreign exchange loss on cash		**60**	861
Increase (decrease) in cash		**(14,999)**	20,458
Cash, beginning of year		**22,501**	2,043
Cash, end of year		**7,502**	22,501

Other cash flow information (note 22)

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

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

The Corporation is incorporated under the Canada Business Corporations Act. Valeo's shares and debentures are traded on the Toronto Stock Exchange (TSX) under the symbol VPH and VPH.DB. The Corporation's shares are also listed on the Frankfurt Stock Exchange ("FSE") under the symbol VP2 and on the US OTCQB market under the symbol VPHIF.

Statement of Compliance

These consolidated financial statements of the Corporation have been prepared for the year ended October 31, 2023 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and were approved and authorized for issuance by the Corporation's Board of Directors on January 25, 2024.

Going Concern

These consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the fiscal year ended October 31, 2023, the Corporation incurred a net loss of $27,808 and used cash in operations of $15,695. As at October 31, 2023, the Corporation had a working capital surplus of $4,969. This raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

2. Summary of Significant Accounting Policies

Basis of Consolidation

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

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

Basis of Measurement

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

Functional and Presentation Currency

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

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

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

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

Adoption of New Accounting Standards

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

On January 1, 2023, the Corporation adopted the amendments to IAS 12 'Income Taxes'. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. In adopting the amendments, there has been no significant impact to the consolidated financial statements for the year ended October 31, 2023.

Future Accounting Standard Changes

Amendments to IAS 1: Non-current liabilities with covenants

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

Amendments to IAS 1: Narrow scope amendments to improve accounting policy disclosures

In February 2021, the IASB amended IAS 1, 'Presentation of Financial Statements', to require the Corporation to disclose its material accounting policy information rather than its significant accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Corporation is currently evaluating the impact of this amendment on its consolidated financial statements.

Revenue Recognition

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

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

Cash and cash equivalents

The Corporation considers all investments with maturities of three months or less from the acquisition date, that are highly liquid and readily convertible into cash, to be cash equivalents. Cash bears interest at a variable interest rate. As at October 31, 2023 and 2022, the Corporation does not hold cash equivalents.

Inventories

Inventories, composed mainly of finished goods, are stated at the lower of cost and net realizable value in accordance with IAS 2, Inventories. Inventories cost is determined using the "First-In, First-Out" method, in other words, the first products the Corporation acquires are the first products it sells. Net realizable value is the estimated selling price in the ordinary course of business, less any

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

applicable selling costs. The Corporation determines its provision for obsolete inventories based on the quantities on hand at the expiry dates, compared to foreseeable needs over the upcoming periods.

Property and Equipment

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

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

Leases

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

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

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

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

Intangible Assets

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

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

Software is recorded at cost less accumulated amortization and any accumulated impairment charges. Software is amortized over the terms of its respective agreement being 3 years.

Development expenditures are capitalized as a part of intangible assets only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient financial and technical resources to complete development and to use or sell the asset. In situations where development

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

qualifies for government research incentives, the investment tax credits are netted against the expenditures made for the specific product project.

Impairment of Non-Financial Assets

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

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

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

Income Taxes

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

Current Tax

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

Deferred Tax

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

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

Sales Tax

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

Provisions

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

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

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

Financial Instruments

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

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

	Measurement
Financial asset:	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Financial liabilities:	
Revolving credit facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Convertible debentures	Amortized cost
Advance from a shareholder	Amortized cost
Long-term debt	Amortized cost
Derivative warrant liability	FVTPL

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

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

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

Share-based compensation

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

Restricted Stock Units

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

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

Deferred Stock Units

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

Warrants

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

Derivative warrant liability

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

Employee Benefits

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

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

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

Earnings per Share

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

3. Use of Estimates and Judgements

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

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

Intangible assets

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

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

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

Defined benefit plan

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

Revenue recognition

Revenue from the sale of merchandise is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross revenue is reduced by product returns, pricing rebates, chargebacks and cash discounts. Provisions are made for the estimated product returns, pricing rebates, chargebacks and cash discounts, using assumptions and contractual sales terms.

Because the amounts of provisions are estimated, they may not fully reflect the final outcome, and the amounts are subject to change. Determining an appropriate provision requires judgment and estimation by management, particularly for new or acquired products where the Corporation has no or limited access to historical trends. Management's estimate includes determining the assumptions related to the future claims for end-customer sales, the sales mix and the rate of product returns. The assumptions are based on historical trends, current and past financial results and projected market conditions. Market conditions are evaluated using wholesaler, market research data and internally generated information. This process requires judgment due to the timeframe between a sale to a wholesaler and a settlement of the product returns, pricing rebates or chargebacks owed under a government program or under the terms of a customer's right of return. Future events could cause the assumptions on which the provisions are based to change, which could affect the future results of the Corporation.

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

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

Principal vs agent

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

4. Trade and Other Receivables

As at	**October 31, 2023**	October 31, 2022
Trade and other receivables	**6,421**	5,225
Sales taxes receivables	**144**	203
	6,565	5,428

5. Inventories

As at	**October 31, 2023**	October 31, 2022
Finished goods	**10,233**	9,980
Raw material	**13**	-
	10,246	9,980

6. Prepaid Expenses and Deposits

As at	**October 31, 2023**	October 31, 2022
Vendor deposit	**-**	2,012
Other prepaid expenses and deposits	**930**	608
	930	2,620

7. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Total**
Cost as at October 31, 2022	950	642	503	2,095
Additions	244	130	104	478
Cost as at October 31, 2023	**1,194**	**772**	**607**	**2,573**
Accumulated depreciation as at October 31, 2022	219	294	209	722
Depreciation	82	126	55	263
Accumulated depreciation as at October 31, 2023	**301**	**420**	**264**	**985**
Net carrying value as at October 31, 2023	**893**	**352**	**343**	**1,588**

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

7. Property and Equipment – *cont'd*

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

8. Right of Use Assets

	Building	Other	Total
Cost as at October 31, 2022	949	54	1,003
Additions	250	51	301
Cost as at October 31, 2023	**1,199**	**105**	**1,304**
Accumulated depreciation as at October 31, 2022	96	26	122
Depreciation	85	21	106
Accumulated depreciation as at October 31, 2023	**181**	**47**	**228**
Net carrying value as at October 31, 2023	**1,018**	**58**	**1,076**

	Building	Other	Total
Cost as at October 31, 2021 and 2022	949	54	1,003
Accumulated depreciation as at October 31, 2021	28	8	36
Depreciation	68	18	86
Accumulated depreciation as at October 31, 2022	96	26	122
Net carrying value as at October 31, 2022	853	28	881

9. Intangible Assets

	Submission costs	License fees	Software	Total
Cost as at October 31, 2022	2,400	14,786	-	17,186
Additions	-	-	75	75
Cost as at October 31, 2023	**2,400**	**14,786**	**75**	**17,261**
Accumulated depreciation as at October 31, 2022	531	1,173	-	1,704
Depreciation	268	1,970	19	2,257
Accumulated depreciation as at October 31, 2023	**799**	**3,143**	**19**	**3,961**
Net carrying value as at October 31, 2023	**1,601**	**11,643**	**56**	**13,300**

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

9. Intangible Assets – ***cont'd***

	Submission costs	License fees	Total
Cost as at October 31, 2021	3,225	4,348	7,573
Additions	32	11,500	11,532
Disposition	(194)	-	(194)
Impairment	(663)	(1,062)	(1,725)
Cost as at October 31, 2022	2,400	14,786	17,186
Accumulated depreciation as at October 31, 2021	415	619	1,034
Depreciation	285	887	1,172
Impairment	(169)	(333)	(502)
Accumulated depreciation as at October 31, 2022	531	1,173	1,704
Net carrying value as at October 31, 2022	1,869	13,613	15,482

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

The recoverable amount of intangible assets with indefinite life, amounting to nil in 2023 (2022 – nil), of intangible assets not yet available for use, amounting to nil in 2023 (2022 – nil), and of intangible asset for which there are indication of impairment, is determined using the fair value less cost of disposal method with a discounted cash flow model. This ensures that the carrying amount which appears on the consolidated financial statements can be recovered using realistic assumptions as to the net present value of the commercial benefits to be derived from such assets over a 10-year period using a discount rate of 20%. Such determination is based by assessing market dynamics for each product, including significant assumptions around market growth rates, market shares and discount rate. Regulatory risk is also analyzed to ensure that there is strong evidence that the respective intangible assets will derive the expected commercial benefits. The fair value of the intangible assets was determined using level 3 assumptions. For the year ended October 31, 2023, no impairment charge was recognized. For the year ended October 31, 2022, following changes in the market environment and regulatory requirements, the Corporation determined a recoverable amount of $982 related to three products and recognized impairment charge of $1,223.

10. Revolving Credit Facility

On September 27, 2023, the Corporation entered into a revolving credit facility agreement. The credit facility is secured by a first rank lien on the Corporation's short-term assets, including trade receivables and inventories for a maximum of $5,000. This facility can be drawn in Canadian and US dollars. The facility is available by way of Canadian prime rate ("prime rate") loans in Canadian dollars and US base rate ("USBR") loans in US dollars. The interest rates for Canadian prime rate loans are prime rate plus 5% per annum; and USBR plus 5% per annum for USBR loans. Under the terms of the credit facility, the Corporation is required to satisfy certain covenants. As at October 31, 2023, the Corporation has met all covenants.

On initial recognition, transaction costs of $49 were netted against the credit facility and are amortized using the straight-line method over the expected life of the underlying agreement of 2 years.

During the year ended October 31, 2023, the revolving credit facility incurred interest of $46 included in financial expenses on the consolidated statement of loss. As at October 31, 2023, the revolving credit facility has an outstanding amount of $2,841 of which $760 was drawn in Canadian dollars and $1,500 in US dollars ($2,081 in Canadian dollars).

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

11. Accounts Payable and Accrued Liabilities

As at	**October 31, 2023**	October 31, 2022
Trade accounts payable	**3,992**	3,737
License fee payable	**-**	5,000
Other accounts payable and accrued liabilities	**5,026**	2,206
Accrued interest	**2,277**	1,394
Payable to related parties	**121**	121
	11,416	12,458

12. Provisions

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

	Product returns	**Pricing rebates and chargebacks**	**Cash discounts**	**Total**
Balance as at October 31, 2022	-	1,779	-	1,779
Charges	650	10,433	90	11,173
Utilization and reversal	-	(8,764)	-	(8,764)
Balance as at October 31, 2023	**650**	**3,448**	**90**	**4,188**

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

13. Lease Liability

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

	Year ended October 31, 2023	Year ended October 31, 2022
Opening balance	**1,165**	1,210
Lease addition	**301**	-
Interest expense	**162**	143
Lease payments	**(224)**	(188)
Balance as at end of year	**1,404**	1,165
Which consists of		
Current lease liability	**69**	51
Non-current lease liability	**1,335**	1,114

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

14. Convertible Debentures

	Notes	**Year ended October 31, 2023**	Year ended October 31, 2022
Opening balance		**21,075**	1,605
Additions	*a*	**-**	25,000
Fair value of conversion option allocated to equity	*a*	**-**	(4,431)
Transaction costs	*a*	**-**	(1,243)
Transaction costs amortization		**370**	278
Accretion expense	*b*	**1,691**	810
Conversion into shares	*c*	**(768)**	(944)
Balance as at end of year		**22,368**	21,075
Which consists of			
Current convertible debentures		**-**	743
Non-current convertible debentures		**22,368**	20,332

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

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

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

   During the year ended October 31, 2022, all convertible debentures incurred interest of $3,618 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $810.

   As at October 31, 2022, a total of $258 is included in accrued interest on the consolidated statement of financial position.

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

   During the year ended October 31, 2022, $944 of convertible debentures issued in February 2020, $175 of equity component and $2 of interest payable were converted into $1,121 of share capital.

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

15. Derivative Warrant Liability

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

	Notes	**Number**	**$**
Balance as at October 31, 2021		1,336,700	582
Revaluation of derivative warrant liability	*a*	-	(274)
Balance as at October 31, 2022		1,336,700	308
Revaluation of derivative warrant liability	*a*	-	(97)
Warrant expired	*b*	(1,336,700)	(211)
Balance as at October 31, 2023		-	-

a. During the year ended October 31, 2023 and 2022, the revaluation of derivative warrant liability was performed using a Black-Scholes option pricing model.

b. On April 26, 2023, 1,336,700 warrants issued in April 2021 expired and a total of $211 is included in gain on derivative warrant liability on the consolidated statement of loss.

16. Advance from a Shareholder

On August 31, 2023, the Corporation secured a loan agreement with a shareholder for a principal amount of $580 bearing annual interest at a rate of 12% and maturing on the earlier of the business day following: (i) October 29, 2027 and (ii) the repayment by the Corporation of all advances made by Sagard Holdings Manager LP under the Sagard senior secured term loan facility agreement. Interest on the loan are capitalized up to maturity, and it can be settled in cash or shares at the option of the Corporation.

During the year ended October 31, 2023, the advance from a shareholder incurred interest of $12 included in financial expenses on the consolidated statement of loss and in advance from a shareholder on the consolidated statement of financial position.

17. Long-term Debt

	Notes	**Year ended October 31, 2023**	Year ended October 31, 2022
Opening balance		**39,201**	-
Additions from total financing proceeds	*a*	**-**	38,472
Fair value of warrants allocated to equity	*a*	**-**	(447)
Transaction costs	*a*	**(57)**	(2,007)
Transaction costs amortization		**340**	78
Accretion expense	*b*	**2,005**	618
Interest in the form of royalty, net of payment		**(7)**	164
Estimate revision on interest in the form of royalty	*c*	**(3,593)**	-
Foreign exchange difference		**714**	2,323
Balance as at end of year		**38,603**	39,201
Classified as current liability		**1,807**	-
Classified as long-term liability		**36,796**	39,201

a. On July 29 2022 ("Closing Date"), the Corporation entered into a US$40.0 million ($51.3 million) senior secured term loan facility (the "Facility") with Sagard Healthcare Partners (the "Lender"). An initial tranche of US$30.0 million ($38.5 million) (the "Loan") was disbursed on closing, with a remaining US$10.0 million made available for future product rights acquisition. The Loan maturity is 5 years. The Corporation has the contractual obligation to principal reimbursements in the amounts of $1.73 million (US$1.25 million) per quarter in Year 3, $3.47 million (US$2.5 million) per quarter in Year 4 and $5.20 million (US$3.75 million) per quarter in Year 5 (all amounts using the exchange rate as at October 31, 2023). The Loan is accruing interest at the 90-day SOFR rate + 8.05% per annum payable quarterly in arrears, and subject to a SOFR floor rate of 1.5%. Exit fees of 4.25% are added to principal reimbursements. The Loan entitles the Lender to quarterly royalty payments representing 1.5% of the Corporation's Net Sales. Net Sales are defined as products commercialized by Valeo except for M-Eslon plus any products acquired using the proceeds of the Facility. Royalties are classified within financial expenses in the consolidated statement of loss. Royalties are payable up to

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

17. Long-term Debt – *cont'd*

7 years from Closing Date. The total return of all advances under the Facility less 3% origination fees is subject to a cap of 185%. The total return is calculated as the sum of loan advances (net of origination fees), interest, exit fees and royalties. In connection with the borrowing, the Corporation issued 1,268,418 warrants with a strike price of $0.63 to the Lender. Warrants expire 5 years from Closing Date. No acceleration clause is applicable. The warrants fair value was determined by assigning the residual of the long-term debt fair value and the net proceeds. The Loan is presented in CAD using the quarter-end exchange rate. The Corporation must comply with certain financial covenants, including a total leverage ratio, a fixed charge coverage ratio, a minimum liquidity ratio starting fiscal quarter ending October 31, 2024, and a minimum cash balance of US$5.0 million at all times. As at October 31, 2023, the Corporation has met all covenants.

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

During the year ended October 31, 2023, transaction costs of $57 were netted against the liability component and is amortized using the effective interest method over the term of the Loan.

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

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

During the year ended October 31, 2022, the debt accrued interest of $1,754 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $618.

As at October 31, 2022, a total of $1,136 is included in accrued interest on the consolidated statement of financial position.

c. As at October 31, 2023, the Corporation adjusted the carrying value of the long-term debt by $3,593 to reflect the actual royalty during the year and the updated forecast of future royalties as compared to the initial estimate. This amount is classified within financial expenses in the consolidated statement of loss.

18. Income Taxes

Details of the components of income taxes are as follows:

	2023	2022
Loss before income taxes	**(27,808)**	(26,920)
Basic income tax rate	**26.5%**	26.5%
Computed income tax recovery	**(7,369)**	(7,134)
Decrease (increase) resulting from:		
Permanent differences	**270**	244
Effect of rate change and other	**(24)**	(18)
Change in deferred tax assets not recognized	**7,123**	5,734
Provision for income taxes	**-**	(1,174)
Effective tax rate	**0.0%**	4.36%

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

18. Income Taxes – *cont'd*

Deferred Taxes

	2023	2022
Net deferred tax assets and liabilities		
Donations carried forward	**14**	11
Non-capital losses carried forward	**21,198**	14,160
Loan provision	**20**	20
Employee benefit plan	**48**	34
Property, equipment, and intangible assets	**(659)**	(727)
Convertible debenture	**(457)**	(848)
Less: unrecognized tax benefits	**(20,164)**	(12,650)
Total	**-**	-

Accumulated non-capital losses

The Corporation has accumulated non-capital losses of $79,847 for income tax purposes in Canada and US $61 for income tax purposes in the United States, which are available to be applied against future taxable income and expire as follows:

	CDN	US
2029	-	2
2030	-	11
2031	-	42
2032	-	3
2034	3	-
2035	20	1
2036	1,193	1
2037	2,726	-
2038	4,183	-
2039	5,523	-
2040	13,825	-
2041	25,815	-
2042	26,559	1

19. Employee Benefit Plan

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

The defined benefit plan no longer accrues obligations for the current service cost of employee future benefits as of June 30, 2005. The significant assumptions utilized in the valuation process remain consistent with those used in prior valuations, except for significant assumptions presented below. The most recent actuarial valuation of the defined benefit plan as of December 31, 2022 has established the actuarial deficit to be $291, with such amount having to be funded over the next 11 years. The required contribution in calendar 2022 was $50 and the required contribution is $50 in calendar 2023 which may change depending on the results of the next valuation. The next actuarial valuation will be performed as of December 31, 2023 and submitted to the government authorities by the September 30, 2024 deadline. An accounting valuation is prepared by the plan actuary as at March 31 and October 31 of each year.

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

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

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

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

The following table presents the changes in benefit obligations and fair value of plan assets and reconciles the funded status to accrued pension assets as at October 31, 2023 and 2022.

	Year ended October 31, 2023	Year ended October 31, 2022
Changes in Pension Liability		
Obligation, beginning of year	**1,537**	1,975
Fair value of insurance policy	**-**	(148)
Interest cost	**79**	70
Actuarial gain	**(7)**	(229)
Benefits paid	**(79)**	(131)
Pension Liability, end of year	**1,530**	1,537
Changes in Fair Value of Plan Assets		
Fair value of plan assets, beginning of year	**1,410**	1,684
Fair value of insurance policy	**-**	(148)
Employer contributions	**57**	41
Actual return on plan assets	**(37)**	(36)
Benefit payments	**(79)**	(131)
Fair Value of Plan Assets, end of year	**1,351**	1,410

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

As at	**October 31, 2023**	October 31, 2022
Funded status – deficit		
Present value of benefit obligation	**(1,530)**	(1,537)
Fair value of plan assets	**1,351**	1,410
Funded status – deficit	**(179)**	(127)

As at	**October 31, 2023**	October 31, 2022
Experience adjusted gain (loss) arising on:		
Plan assets	**(111)**	(636)
Plan liabilities	**7**	767

The interest cost in 2023 was $79 ($70 for 2022) and the expected return on plan assets in 2023 was $74 ($62 for 2022).

The significant assumptions used are as follows:

As at	**October 31, 2023**	October 31, 2022
Defined benefit obligations		
Discount rate	**5.70%**	5.30%
Rate of compensation increase	**3.10%**	3.10%

	Year ended October 31, 2023	Year ended October 31, 2022
Benefit costs		
Discount rate	**5.70%**	5.30%
Rate of pension increase	**2.20%**	2.20%

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

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

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

As at	**October 31, 2023**	October 31, 2022
Asset Category		
Insurance policy	**42%**	40%
Equity securities – Listed	**26%**	29%
Debt securities – Listed	**32%**	31%
Total	**100%**	100%

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 31, 2023 and 2022, and has some limitations. The sensitivities of each key assumption have been calculated without considering the changing of any other assumption. Actual results could therefore result in changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

	Year ended October 31, 2023	Year ended October 31, 2022
Impact of 1% increase in discount rate	**(121)**	(132)
Impact of 1% decrease in discount rate	**139**	153

20. Share Capital and Other Equity Instruments

a) Share Capital

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

	Notes	**Number**	**$**
Balance as at October 31, 2021		78,800,174	24,616
Stock options exercised	*20b*	256,250	168
Conversion of debentures	*14c*	2,603,419	1,121
Compensation options expired	*20f*	-	93
Warrants exercised	*20e*	485,000	327
Shares issued as compensation		45,505	34
Balance as at October 31, 2022		**82,190,348**	**26,359**
Conversion of debentures	*14c*	1,936,797	934
Compensation options expired	*20f*	-	129
Settlement of share-based awards	*20c*	650,926	627
Withholding tax on share-based settlement		(144,000)	(161)
Shares issued	*20a*	13,999,997	3,920
Issue costs	*20a*	-	(112)
Balance as at October 31, 2023		**98,634,068**	**31,696**

For the year ended October 31, 2023

On August 31, 2023, the Corporation closed a non-brokered private placement offering (the "Offering) of 13,999,997 units (the "Units") of the Company at a price of $0.28 per Unit for gross proceeds of $3,920. Each Unit consists of one (1) class A share of the Corporation (each, a "Share") and one-half (1/2) Share purchase warrant of the Company (a "Warrant"). Each full Warrant entitles the holder to purchase one (1) Share in the capital of the Company (a "Warrant Share") at the price of $0.35 per Warrant Share for a period of 60 months from the closing date of the Offering. The fair value of the shares was determined by the closing price on the date of the transaction at a price of $0.28 per share and the fair value of the warrants was determined by assigning the residual of the financing fair value and the net proceeds. Transaction costs of $112 were recorded as share issue costs.

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

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

b) Share Option Issuance and Compensation Expense

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

Changes in outstanding options were as follows:

	Year ended October 31, 2023		Year ended October 31, 2022	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Options outstanding, beginning of year	**7,287,222**	**$0.82**	6,544,722	$0.84
Granted	**1,675,000**	**$0.61**	1,592,500	$0.66
Forfeited	**(1,721,667)**	**$1.30**	(165,000)	$0.76
Cancelled/expired	**(716,667)**	**$1.34**	(428,750)	$0.88
Exercised	**-**	**-**	(256,250)	$0.40
Options outstanding, end of year	**6,523,888**	**$0.58**	7,287,222	$0.82
Options exercisable, end of year	**3,973,472**	**$0.54**	3,973,056	$0.65

717,083 options vested during the year ended October 31, 2023 (2022 – 769,308).

The following options were granted during the respective years:

For the year ended October 31, 2023

Number	Notes	Date of grant	Expiry date	Exercise price	Fair value
1,250,000	i	March 15, 2023	March 15, 2030	$0.66	$0.37
180,000	ii	April 24, 2023	April 24, 2030	$0.66	$0.37
180,000	ii	September 13, 2023	September 13, 2030	$0.35	$0.19
65,000	iii	September 13, 2023	November 20, 2024	$0.35	$0.08
1,675,000					

i) Vest 50% on first two anniversary date of grant
ii) Vest 33% on first three anniversary date of grant
iii) Vest 100% on date of grant

For the year ended October 31, 2022

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

i) Vest 50% on first two anniversary date of grant
ii) Vest 33% on first three anniversary date of grant
iii) Vest 25% on first four anniversary date of grant

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

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

The remaining contractual life for the share options outstanding as at October 31, 2023 are:

Number	Exercisable	Fair Value	Exercise price	Remaining contractual life in years
245,000	65,000	$0.08 - $0.19	$0.35	1.06 – 6.87
1,797,222	1,797,222	$0.10 - $0.40	$0.40	0.30 – 2.05
225,000	225,000	$0.12	$0.50	0.75
1,097,500	1,097,500	$0.31	$0.60	3.58 – 3.67
2,827,500	550,417	$0.30 - $0.43	$0.66	0.49 – 6.48
26,666	26,666	$0.42	$0.71	4.84
10,000	6,667	$0.47	$0.86	4.03
270,000	180,000	$0.67	$1.12	4.57
25,000	25,000	$0.81	$1.32	3.92
6,523,888	3,973,472			

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

	Year ended October 31, 2023	Year ended October 31, 2022
Risk-free interest rate	**2.95 % - 3.77 %**	2.64% - 3.50%
Volatility factor	**49.30% - 53.19%**	62.71% - 63.81%
Expected life	**1 - 7 years**	7 years
Expected dividend rate	**0%**	0%

The expected stock price volatility was estimated by using historical data from public companies in the same sector as the Corporation and over the period consistent with the duration of the award. The total share-based compensation for the year ended October 31, 2023 was $388 (2022 - $727) recognized in contributed surplus on the consolidated statement of changes in shareholders' equity and in share-based compensation expenses on the consolidated statement of loss. Based on the Corporation's experience since introducing its stock options program, the forfeiture rate has been revised from 10% to 35% during the year ended October 31, 2023.

c) Restricted Stock Units (RSUs)

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

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

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

The following schedule presents the RSUs issued at the end of the respective years:

	Year ended October 31, 2023		Year ended October 31, 2022	
	Number	**Weighted Average Market Price**	Number	Weighted Average Market Price
RSUs outstanding, beginning of year	**681,229**	**$0.95**	475,000	$1.12
Granted	**26,786**	**$0.56**	206,229	$0.56
Redeemed	**(650,926)**	**$0.96**	-	-
RSUs outstanding, end of year	**57,089**	**$0.61**	681,229	$0.95

606,229 RSUs were vested during the year ended October 31, 2023 (2022 – 75,000). 30,303 RSUs were redeemable as at October 31, 2023 (2022 – 75,000). The total share-based compensation for the year ended October 31, 2023 was $260 (2022 - $214) recognized in contributed surplus on the consolidated statement of changes in shareholders' equity and in share-based compensation expenses on the consolidated statement of loss.

The following RSUs were granted during the respective years:

For the year ended October 31, 2023

Date of grant	**Number of RSUs**	**Vesting terms**	**Market Price at time of grant**
January 27, 2023	26,786	50% on November 1, 2023 50% on February 1, 2024	$0.56

For the year ended October 31, 2022

Date of grant	**Number of RSUs**	**Vesting terms**	**Market Price at time of grant**
April 27, 2022	175,926	100% on April 27, 2023	$0.54
August 29, 2022	30,303	100% on August 29, 2023	$0.66

d) Deferred Stock Units (DSUs)

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

The following DSUs were granted during the respective year:

For the year ended October 31, 2023

Date of grant	**Number of DSUs**	**Vesting terms**	**Market Price at time of grant**
January 27, 2023	395,850	100% on January 27, 2023	$0.56

395,850 DSUs outstanding were redeemable as at October 31, 2023. The weighted average grant-date fair value of the DSUs granted during the year corresponds to the market price at time of grant. The total share-based compensation for the year ended October 31, 2023 was $222 (2022 - nil) recognized in contributed surplus on the consolidated statement of changes in shareholders' equity and in share-based compensation expenses on the consolidated statement of loss.

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

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

e) Warrants

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

	Year ended October 31, 2023		Year ended October 31, 2022	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Warrants outstanding, beginning of year	**12,768,418**	**$1.19**	24,658,182	$1.03
Issued	**6,999,995**	**$0.35**	1,268,418	$0.63
Expired	**-**	**-**	(12,673,182)	$0.84
Exercised	**-**	**-**	(485,000)	$0.60
Warrants outstanding, end of year	**19,768,413**	**$0.89**	12,768,418	$1.19

The following warrants were outstanding as at October 31, 2023:

Number	**Issue date**	**Expiry date**	**Exercise price**	**Grant date fair value of full warrants**	**Remaining contractual life in years**
11,500,000	June 29, 2021	June 29, 2024	$1.25	$0.25	0.66
1,268,418	July 29, 2022	July 29, 2027	$0.63	$0.35	3.75
6,999,995	August 31, 2023	August 31, 2028	$0.35	-	4.84
19,768,413					

During the year ended October 31, 2023, a total of 6,999,995 warrants were issued pursuant to the Offering in August 2023 (note 20a). The warrants fair value was determined by assigning the residual of the financing fair value and the net proceeds.

During the year ended October 31, 2022, a total of 1,268,418 warrants were issued pursuant to the Facility in July 2022 (note 17a). The warrants fair value was determined by assigning the residual of the long-term debt fair value and the net proceeds.

f) Compensation Options

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

	Number of shares	**Number of warrants**	**Weighted Average Exercise Price**
Balance as at October 31, 2022	770,000	770,000	$1.25
Expired	(770,000)	(770,000)	$1.25
Balance as at October 31, 2023	-	-	-

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

During the year ended October 31, 2023, 770,000 compensation options with a fair value of $0.22 per option determined using a Monte-Carlo model expired. Share issuance costs of $129 and of $41 were derecognized from share capital and warrants on the consolidated statement of changes in shareholders' equity (note 20a).

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

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

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

For the year ended October 31, 2022

Number	Issue date	Expiry date	Exercise price	Grant date fair value of full warrants	Remaining contractual life in years
770,000	June 22, 2021	June 22, 2023	$1.25	$0.22	0.64
770,000					

21. Loss per Share

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

	2023	2022
Net Loss for the year	**(27,808)**	(25,746)
Weighted average number of common shares outstanding	**86,116,773**	80,858,528
Basic loss per share for the year	**(0.32)**	(0.32)

The effect of dilution from stock options, RSUs, DSUs, compensation options, warrants and convertible debentures was excluded from the calculation of weighted average number of shares outstanding for diluted loss per share for the year ended October 31, 2023 and 2022 as they are anti-dilutive.

22. Other Cash Flow Information

Net change in non-cash working capital

	2023	2022
(Increase) decrease in		
trade and other receivables	**(1,137)**	(3,627)
inventories	**(1,773)**	(3,813)
prepaid expenses and deposits	**1,690**	(1,592)
Increase (decrease) in		
accounts payable and accrued liabilities	**3,027**	(4,017)
provisions	**2,409**	1,565
	4,216	(11,484)

Supplemental (non-cash) cash flow information

	2023	2022
Increase in share capital on conversion of debenture	**934**	1,121
Acquisition of intangible assets included in accounts payable and accrued liabilities	**-**	5,000

Supplemental cash flow information

	2023	2022
Cash interest paid during the year	**7,449**	2,884
Cash interest received during the year	**(156)**	(173)

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

23. Cost of Goods Sold

	2023	2022
Finished goods	**36,046**	17,554
Freight, storage and distribution fees	**1,310**	786
Amortization of intangible assets	**1,970**	887
Impairment of intangible assets	**-**	729
Write down of inventories	**1,507**	1,508
	40,833	21,464

24. Sales and Marketing Expenses

	2023	2022
Employee compensation	**13,264**	9,742
Sales expenses	**2,756**	2,642
Marketing expenses	**3,834**	3,448
Amortization of intangible assets	**19**	-
	19,873	15,832

25. General and Administrative Expenses

	2023	2022
Employee compensation	**2,791**	2,420
Administrative expenses	**3,038**	2,418
Depreciation of property and equipment	**263**	160
Depreciation of right of use assets	**106**	86
Service income	**(41)**	(42)
	6,157	5,042

26. Medical Affairs and Regulatory Expenses

	2023	2022
Employee compensation	**1,713**	1,614
Patient support programs	**461**	423
Advisory boards and other expenses	**886**	1,253
Amortization of intangible assets	**268**	285
Impairment of intangible assets	**-**	494
Service income	**(123)**	(141)
	3,205	3,928

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

27. Financial, net

	2023	2022
Interest on debentures	**3,034**	2,876
Effective interest on debentures	**2,061**	1,379
Interest on long-term debt	**5,275**	1,136
Effective interest on long-term debt	**2,346**	696
Interest in the form of royalty	**652**	164
Estimate revision on interest in the form of royalty	**(3,593)**	-
Lease interest	**162**	143
Bank and other interest	**260**	67
Bank charges	**27**	39
Foreign exchange loss	**820**	1,263
Interest income	**(156)**	(173)
	10,888	7,590

28. Segmented Information

Management has determined that there is only one operating and reportable segment, as all companies operate in the pharmaceutical industry. Revenues are generated by sales to wholesalers and retailers in Canada. Three clients accounted for gross revenue in 2023 of 81% (2022 – 81%).

29. Related Party Transactions

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

	2023	2022
Key management salary and benefits	**1,683**	1,804
Directors and employee stock option compensation	**870**	941
Consulting fees paid to a company controlled by an officer	**347**	294
Interest on convertible debentures owed to key management, officers and directors	**32**	30
Interest on convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**185**	173
Service income	**41**	42
Interest on advance from a shareholder	**12**	-

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

	October 31, 2023	October 31, 2022
Amounts owed to key management, officers and directors		
Consulting fees	**-**	20
Expenses incurred in the normal course of business	**1**	-
Convertible debentures	**244**	486
Accrued interest on convertible debentures	**11**	8
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,416**	1,313
Accrued interest on convertible debentures	**65**	15
Advance from a shareholder	**580**	-
Accrued interest on advance from a shareholder	**12**	-
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**96**	48
Amounts owed from a shareholder		
Advance to a shareholder	**49**	-

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

30. Financial Instruments

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

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

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

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

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

31. Financial Risk Factors

(a) Market risk

(i) Currency risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation has an investment in a U.S. subsidiary, however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at October 31, 2023, a 5% increase/decrease in the USD/CAD exchange rates would have a $1,747 (2022 - $1,373) impact on net loss and equity.

OCI would not be materially impacted in the above situation.

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

	October 31, 2023		October 31, 2022	
As at	**USD currency**	**CAD equivalent**	USD currency	CAD equivalent
Cash	**5,027**	**6,974**	11,120	15,177
Trade and other receivables	**430**	**597**	14	20
Revolving credit facility	**1,500**	**2,081**	-	-
Accounts payable and accrued liabilities	**1,317**	**1,827**	1,026	1,401
Long-term debt	**27,823**	**38,603**	30,226	41,256

(ii) Cash flow and fair value interest rate risk

The Corporation is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate exposure under its senior debt facility. Revolving credit facility, convertible debenture or long-term debt negotiated at a fixed rate expose the Corporation to fair value interest rate risk.

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

31. Financial Risk Factors – ***cont'd***

(b) Credit Risk

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

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

As at October 31, 2023, 92% (2022 – 94%) of trade accounts receivables were current and three customers accounted for 77% (2022 – 83%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at October 31, 2023	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	**2,841**	**-**	**-**	**-**	**2,841**
Accounts payable, accrued liabilities, and provisions	**3,469**	**3,952**	**5,906**	**-**	**13,327**
Lease liability	**20**	**41**	**170**	**2,352**	**2,583**
Convertible debentures, including interest	**300**	**750**	**2,550**	**25,750**	**29,350**
Advance from a shareholder, including interest	**-**	**-**	**-**	**592**	**592**
Long-term debt, including interest and exit fees	**1,393**	**160**	**6,723**	**60,575**	**68,851**
	8,023	**4,903**	**15,349**	**89,269**	**117,544**

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

(d) Capital Structure Financial Policy

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

The Corporation manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations. The Corporation currently funds the working capital requirements from its cash balance, out of its internally generated cash flows and the use of credit facilities when available. To maintain or adjust the capital structure, the Corporation will work to secure new debt or raise capital that would provide additional capital. As at October 31, 2023, the Corporation is not subject to any externally imposed capital requirements.

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

32. Commitments

(i) Lease obligation

The Corporation leases its premises. The current lease will expire in August 2029. The Corporation has an option to further extend the lease up to August 2034. The Corporation is expecting to exercise its option.

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2024	206
2025	206
2026	206
2027	206
2028	206
2029-2034	1,481
Total	**2,511**

(ii) Licensing agreements

Milestones:

Under certain agreements, the Corporation may have to pay additional consideration should it achieve certain sales volumes or if certain milestones are met. As at October 31, 2023, management estimates the likelihood of paying such milestones to be remote.

Royalty and profit sharing:

Under certain licensing or distribution agreements, the Corporation is required to pay annual royalty payments of up to 10% of aggregate Net Sales levels achieved during the year. Furthermore, certain agreements require the Corporation to make profit sharing payments ranging from 2.5% to 17% of net profits as defined in the respective agreement.