Financial Report

First Quarter – Fiscal Year 2024

January 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of Valeo Pharma Inc. ("Valeo" or the "Corporation") for the three months periods ended January 31, 2024, and 2023. This document should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the fiscal quarter ended on January 31, 2024, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share information. All other currencies are presented in thousands. This discussion and analysis document was prepared by management from information available as at March 13, 2024. Further information about Valeo Pharma Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

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

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

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

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

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

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

Use of Estimates and Judgements

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

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial	
CAGR	Compounded Annual Growth Rate
COGS	Cost of Goods Sold (or Cost of Sales)
DSU	Deferred Share Units
G&A	General and Administrative
HO	Head Office
IR	Investors Relation
MA & Reg	Medical Affairs, Quality Assurance and Regulatory
OPEX	Operating Expenses
RSU	Restricted Share Unit
S&M	Sales and Marketing
SBC	Share-Based Compensation
FY-24	Fiscal Year 2024
FY-23	Fiscal Year 2023
Q1-24	First quarter FY-24
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
Q4-22	Fourth quarter FY-22
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
QoQ	FY-24 quarterly results vs last year's quarterly results
YE-23	Year-end 2023, October 31, 2023
YTD	Year to date
YoY	Current FY results vs last FY results
W/C	Working Capital, defined as current assets less current liabilities

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

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

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

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

In 2021, Valeo opted to accelerate its growth by expanding commercial and head office infrastructure to handle both specialty and mass-market products. While this strategy impacted overhead and operating cost, it is also providing significant operating leverage for years to come. Although suffering temporary set-back in Q4-23 performance (catch-up adjustments to carrying provisions), in Q1-24 Valeo returned to its priorly established trend of consecutive quarters of revenues growth, expected to translate into consecutive adjusted gross profit improvements.

The current peak sales potential of Valeo's commercial portfolio is estimated to exceed $200 million, while the current revenue run-rate is exceeding $54 million. While Valeo has been operating with relatively fixed operating costs, the business model demonstrated financial upside residing in Valeo's product portfolio. Since November 2023, management team has been actively optimizing operating costs and continues seeking additional pathways to simplify and improve cost-base to further deliver on portfolio ambition and financial upside.

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

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

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

As of the date of this document, the Corporation has just over 100 full-time employees including a team of 71 commercial positions comprising pharmaceutical representatives, sales professionals, and medical science liaison staff.

Product Portfolio

Valeo's main product portfolio includes:

BRANDS	Indications	Partners	Regulatory, Commercial Status, and other important information
Respiratory/Allergy Business Unit			
Enerzair® Breezhaler®	LABA/LAMA/ICS fixed triple dose asthma drug.	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• Commercial launch in June 2021, supported by a dedicated commercial team. • 100% Public reimbursement across Canada. Private insurance coverage exceeds 90%. • Canadian asthma market estimated at $1.08 billion. [1]
Atectura® Breezhaler®	LABA/ICS dual combination asthma drug.		
Allerject®	Portable voice-activated epinephrine injector for emergency treatment of serious allergic reactions (anaphylaxis)	Kaléo, Inc. ("Kaléo")	• Commercial rights acquired late Q3-2022. Formal launch in April 2023. • Canadian Market estimated at $80M, 5-7% CAGR. [2] • Provincial reimbursement and Private insurance coverage > 90%.
Ophthalmology Business Unit			
Xiidra®	Prescription eye-drop to treat dry eye disease	Novartis Pharmaceuticals Canada Inc. ("Novartis")	• 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 $169 million. [1] • Public and Private insurance coverage in place across Canada.
Onstryv®	Idiopathic Parkinson's disease	Zambon S.p.A.	• Marketed since Q3-2019. • Publicly reimbursement in Quebec since Q2-2023.
M-Eslon	Extended-release morphine sulphate for pain management.	Ethypharm Inc.	• Distributed by Valeo since 2016.
Yondelis®	Soft tissue sarcoma	PharmaMar S.A.	• Marketed by Valeo since FY-2020.
Ametop™ Gel 4%	For skin Anesthesia prior to injection or cannulation.	Alliance Pharma Inc.	• Marketed by Valeo since FY-2020.

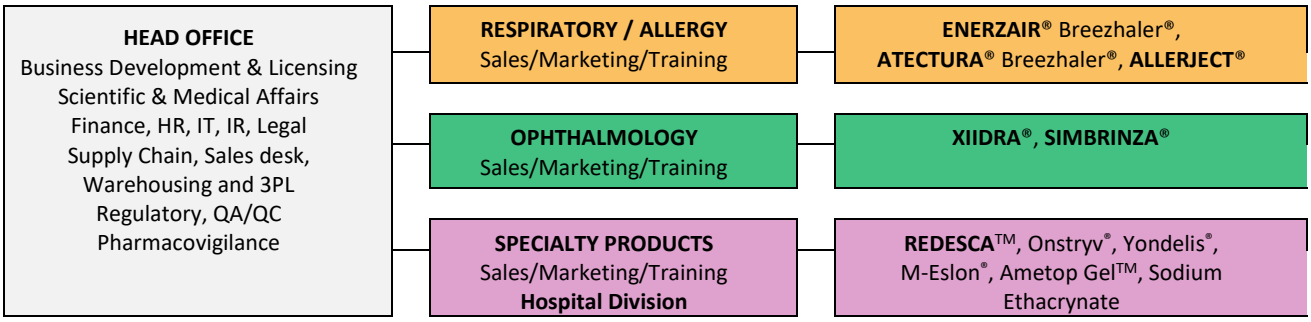
Note 1: Industry data, Source: IQVIA

Note 2: Verified Market Research

Corporate and Commercial Structure

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

The following presents corporate and commercial structure.



Respiratory/Allergy Business Unit

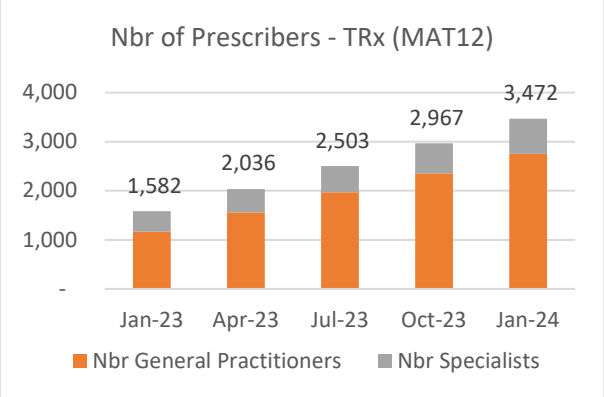
Enerzair® Breezhaler®, Atectura® Breezhaler®

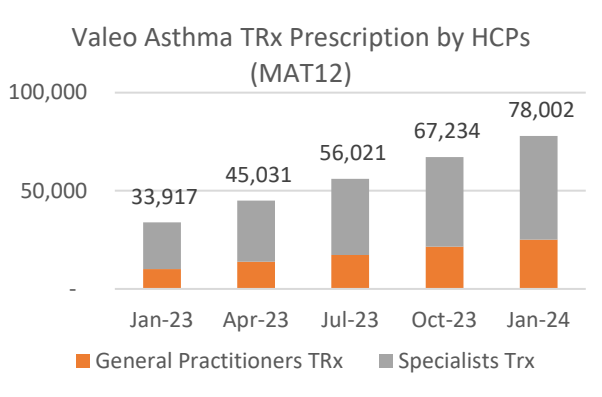
The Respiratory/Allergy BU was created in March 2021 to commercialize two newly approved asthma therapies by HC, Enerzair and Atectura, licensed from Novartis. These products bring compelling therapeutic benefits that were demonstrated in extensive clinical trials conducted by Novartis. Enerzair and Atectura are now fully covered by public jurisdictions and private payers across all Canadian provinces and territories. Enerzair and Atectura have helped establish Valeo as one of the leading companies in the large, established, and growing asthma therapy market 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, Valeo Q1-24 results continue to show solid sales progress over prior quarters, and we expect this trend to continue due to the sequential addition of new prescribing practitioners and growing number of patients.

At the end of January 2024, the total number of HCPs that prescribed Enerzair and Atectura in the last 12 months stood at 3,472 up 17% over the prior quarter and up 119% YoY (*see graph below*). For the 12 months ending January 31, 2024, total prescriptions exceeded 78,002, up 130% over the prior 12-month period.





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

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

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

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

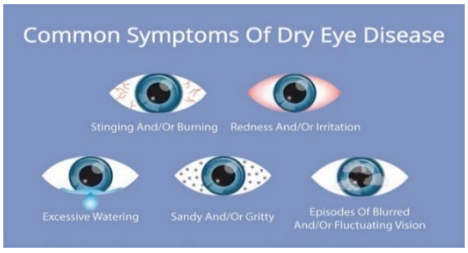
Allerject is used for the emergency treatment of serious allergic reactions (anaphylaxis) and is intended for people who are at risk and for people with a history of serious allergic reactions. Anaphylaxis reaction is a life-threatening condition which can be prevented by an appropriate use and dose of an Epinephrine Auto-injector. Allerject has significant competitive advantages over the competition as it is the ONLY voice activated auto-injector on the market, and it is pocket-size for ease of use and carry. The Canadian market for single-use epinephrine auto-injectors is estimated at $80 million (IQVIA Data – 2022) and expected to be growing at an 5-7% compounded annual growth rate ("CAGR") between 2021 and 2028 (Source: Verified Market Research).

Ophthalmology Business Unit

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

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

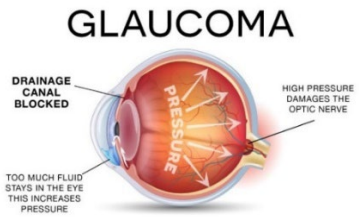
Dry-eye disease is a common condition that occurs when natural tears cannot provide adequate lubrication for the eyes. Reasons for tear film dysfunction are many, including hormone changes, autoimmune disease, inflamed eyelid glands or allergic eye disease. Incidence of the disease is also impacted by 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 $282 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.

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

Specialty Products Business Unit

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

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

The LMWH Canadian market is estimated at $169 million and includes 3 major biologic agents.

- The Enoxaparin market (the "Primary Market") is estimated at $50 million annually and comprises 6 competitors (Lovenox – and 5 biosimilars, including Redesca, the overall market leading Canadian biosimilar).
- The remaining market (the "Secondary Market") includes Dalteparin and Tinzaparin together representing sales estimated at $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.

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

Q1-24 Results Overview

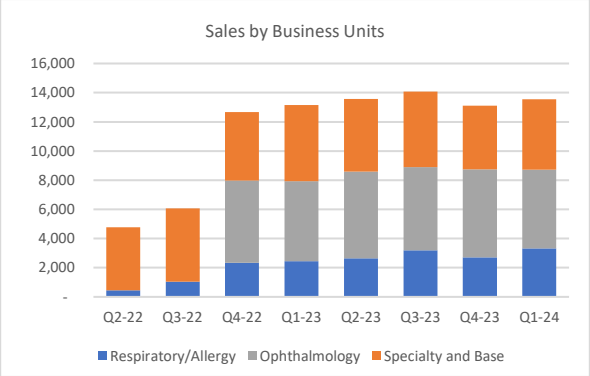
The addition of Xiidra, Simbrinza and Allerject in the last quarter of FY-22, have boosted the peak sales potential of existing Valeo product portfolio to $200+ million with a significantly lower impact on operating expenses ("OPEX"). However, on a reported basis (as stated in 8Q view), Q1-24 renews with revenue growth trend established across FY-22 and most of FY-23. Aligned with practice implemented with Q4-23 closing, Q1-24 Net Revenue reflect continuity in healthy capture of Gross-to-Net adjustments – Q1-24 indicative of continuity rather than a course correction. The graphs below present revenues by BU for the last 8 quarters. Annualized revenue run-rate at the end of Q1-24 reached $54 million, 48% above the 12-month period ended January 31, 2023.

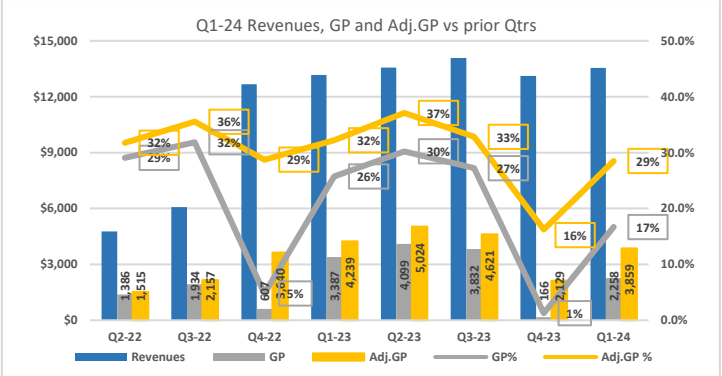
Q1-24 Margins were negatively impacted by inventory write-offs associated with new launches for $1.1 million.

Q1-24 OPEX and Adjusted EBITDA were impacted by higher marketing expenditures early in FY-24 compared to prior quarters. Sampling expenses remained in-check with no major sample procurement in Q1-24. As per IFRS rules, samples are expensed on purchase and can lead to significant variation of OPEX charges between quarters. The samples charged in Q1-24 remain part of normal course of business while the performance observed in Q3-23 represents a peak in expenditures. Through normal course of business, sample procurement from commercialization Partners is affected by go-to-market approach, demand seasonality as well as production timelines. And, as result, associated use and re-supply may differ from quarter to quarter and year to year.

Over the last year, the sequential growth of revenues has significantly increased gross profit. During the same period, OPEX growth was also active and required a baseline reset to better support expected revenue growth from the transformed portfolio.

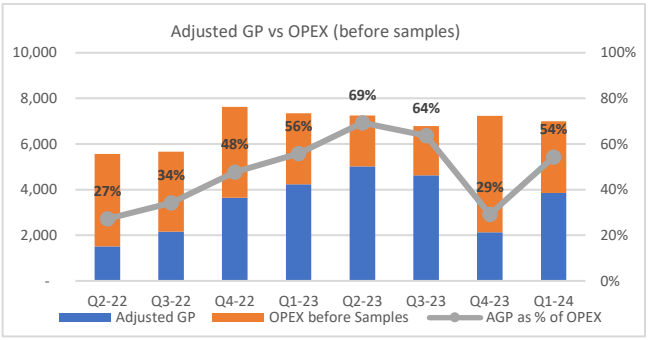
Following the established pattern of consecutive quarterly improvements demonstrated until mid-2023, the Q1-24 Adjusted EBITDA loss, becomes indicative of new starting baseline for progress towards profitability. Improved profitability due to 1) renewed growth momentum from sales traction coupled with commercial conditions accruals aligned to existing book of business, 2) improved management of inventories and more streamlined supply chain procurement. As a result of supply decisions taken in second half of FY-23, additional Inventory write-offs were materialized for new product launch and negatively impacting Q1-24 Gross profit performance.

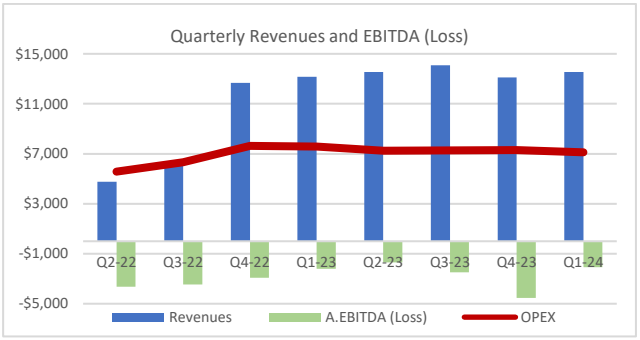




- Q1-24 Business Units quarterly revenues: continued growth in Respiratory/Allergy, return to growth for Specialty while Ophthalmology negatively impacted by loss of momentum associated to Xiidra cease of promotion[1].

- Q1-24 negatively affected by inventory write-offs / destructions for newly launched brands.
- Excluding these items, adjusted gross profit ($) would have returned performance near 30%-mark, and more closely indicative of minimal expectation towards operating portfolio.





- Q1-24 Gross profit negatively impacted by inventory write-offs / destructions from newly launched brands. Outside adjustments, adjusted gross profit ratio over OPEX (before samples) would have shown highly comparable to Q1-23 and within corridor of operations represented by 12-month ranging Q4-22 to Q3-23.

- Progress made in OPEX management expected to materialize sequential benefits starting Q2-24 and ramping-up throughout FY-24.

- Increase in revenue momentum aligning with trend established from Q4-22 to Q3-23. Operating margins recuperating from Q4-23 outlier despite still supporting destructions for new launch brands tied to decision points in early Q1-24. Adjusted EBITDA loss for Q1-24 showing small improvement vs Q1-23 while OPEX reductions will mostly materialize starting with Q2-24 and ramping-up for remainder of FY-24.
- OPEX reduction planannounced November 20, 2023 expected to generate savings to further support improving trend.

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

Financial results for Q1-24 reflect the full impact of 3 financing transactions completed during FY-23 – including consequent interest expenses resulting from debt leveraging.

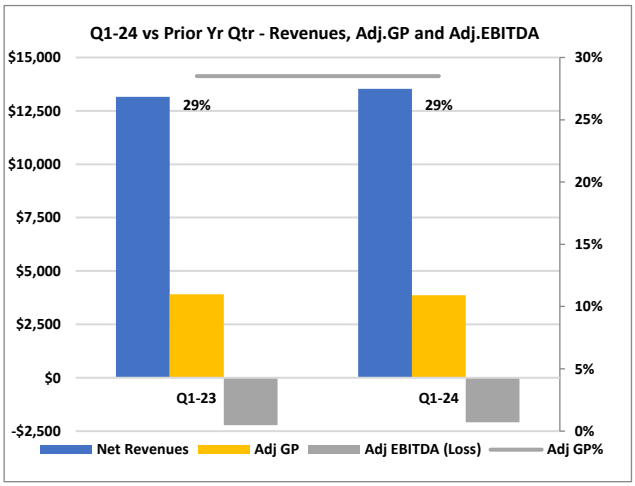
FY-23 financing transactions have provided Valeo with capital to fund operations and working capital requirements to pursue transformation initiated in November 2023 on the basis of relentless focus on core assets. Transformation is well underway and has started reaping benefits in Q1-24. OPEX reductions are expected to grow into Q2-24 and continue materializing throughout remainder of FY-24. (See "Q1-24 Highlights" and "Subsequent Events" sections of this MD&A).

[1] Distribution activities will be maintained by Valeo until transfer of market authorization to B&LC have been granted by Health Canada.

Q1-24 Financial Results

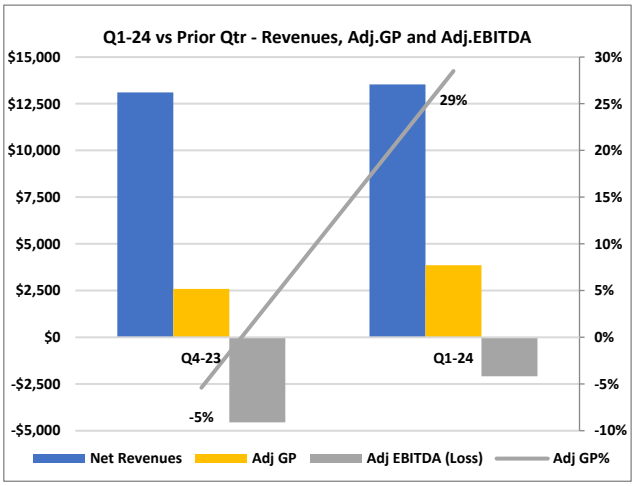
Q1-24 vs Q1-23 Performance

- Valeo revenue growth momentum returning to growth and reflecting +3% for same Qtr YoY growth and Core Brands contributing 59% of Net Sales mix.
- Excluding Redesca Q1-23 net sales benefit from competitor back-order (+$0.6 million) driving temporary benefit in Q1-23, YoY performance would be +8% and Core Brand sales contribution would represent a YoY evolution of +1.4% from 57.5% to 58.9%.
- Q1-24 capture of commercial conditions consistent with Q4-23 approach (no change in trend) - however on comparable Quarter YoY reflects increase in Gross-to-Net from commitments and sales mix.
- Organic revenue grew by 6% in Q1-24 vs Q1-23, including Enerzair and Atectura revenues, up 49% for the same period.
- Adjusted Gross Profit remained nearly unchanged at $3.9 million, -1% vs Q1-23. Adjustment vs Q1-24 Gross Profit essentially driven by inventory write-offs/destruction for product launch.
- Operating loss grew to $4.9 million for Q1-24, up 26% vs Q1-23, also driven by trickle-down of inventory write-off/destructions from Gross Profit to Operating Loss.
- EBITDA loss at $2.5 million unchanged vs Q1-23. After Adjustments, Adj. EBITDA loss of $2.1 million presents 6% improvement Q1-24 vs Q1-23.



Q1-24 vs the prior quarter (Q4-23)

- Valeo revenue growth momentum returning to trend set prior to Q4-23 with 3% QoQ growth and Core Brands contributing 59-60% of net sales mix – while Q4-23 was impacted by material adjustments to carrying provisions for rebates and sales returns.
- Organic revenue accelerated from 2% to 6% over Q4-23 and Q1-24. Including strong Asthma revenue performance, up 58% QoQ.
- Adjusted Gross Profit for Q1-24 at $3.9 million, up $1.3 million or +49% over Q4-23 partly explained by adjustments to commercial conditions provisions carried-out in Q4-23.
- Operating loss at $4.9 million for Q1-24 reduced by $2.3 million or 32% compared to Q4-23 due to non-repeat of Q4-23 adjustments in carrying provisions.
- Adjusted EBITDA loss for Q1-24 at $2.1 million improved by $2.5 million or 54% from Q4-23 at $4.6 million loss.



Q1-24 Highlights

- 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.

Subsequent Events

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

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the January 31, 2024, unaudited interim condensed consolidated financial statements.

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

Consolidated Statements of Loss

			Change	
	Q1-24	Q1-23	*$*	*%*
Revenues	**13,539**	13,162	*377*	3%
Cost of Goods Sold	**11,281**	9,764	*1,517*	16%
Gross Profit	**2,258**	3,398	*(1,140)*	-34%
Gross Profit % to Revenues	***16.7%***	*28.3%*		*-11.7%*
Adjusted Gross Profit	**3,859**	3,908	*(49)*	-1%
Adjusted Gross Profit %	***28.5%***	*29.7%*		*-1.2%*
Expenses				
Sales and Marketing	**4,725**	4,491	*234*	5%
General and Administrative	**1,477**	1,354	*123*	9%
Medical affairs, QA & regulatory	**725**	896	*(171)*	-19%
Share-Based Compensation	**194**	519	*(325)*	-63%
Total OPEX	**7,121**	7,260	*(139)*	-2%
Total OPEX as % of Revenues	***52.6%***	*55.2%*		*-2.6%*
Operating Loss	**(4,863)**	(3,862)	*(1,001)*	*26%*
Other Expenses (income)				
Financial, net	**2,618**	2,483	135	*5%*
Unrealized gain on derivative warrant liability	**-**	(97)	97	-100%
Other income	**(609)**	-	*(609)*	*0%*
Total Other Expenses	**2,009**	2,386	*(377)*	*-16%*
Net loss for the period	**(6,872)**	(6,248)	*(624)*	*10%*
Other comprehensive loss				
Foreign exchange	**5**	3	*2*	*67%*
Total comprehensive loss	**(6,867)**	(6,245)	*(622)*	*10%*
Loss per share				
Basic and diluted	**(0.08)**	(0.08)	-	*0%*
Weighted avg. # of shares o/s	**86,147,045**	80,899,462	*14,271,340*	*22%*

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 Q1-24 and Q1-23 as compared to prior year periods.

			Change	
	Q1-24	Q1-23	*$*	*%*
Gross Profit	**2,258**	3,398	*(1,140)*	*-34%*
Gross Profit % to Revenues	**16.7%**	28.3%		*-11.7%*
Adjustments				
Licence cost amortization	493	493	-	*0%*
Inventory write-off – launch product	1,108	17	*1,091*	*1000%*
ADJUSTED GROSS PROFIT $	**3,859**	3,908	*(49)*	*-1%*
Adjusted Gross Profit %	**28.5%**	29.7%		*-1.2%*

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 Q1-24 and Q1-23 as compared to prior year periods.

			Change	
	Q1-24	Q1-23	*$*	*%*
Net Loss	**(6,872)**	(6,248)	(624)	10%
Adjustments				
Interest Expense	3,736	3,248	488	15%
Unrealized gain on derivative warrant liability	-	(97)	97	-100%
Depreciation	92	65	27	42%
Amortization	557	552	5	1%
EBITDA Loss	**(2,487)**	(2,480)	(7)	0%
Other Adjustments				
Share-Based Compensation	194	519	(325)	-63%
Recruitment costs - new product launch	-	30	(30)	-100%
Inventory write-off – launch product	1,108	17	1,091	1000%
Contract penalty / early termination	-	28	(28)	-100%
Other provision (Severance)	270	373	(103)	100%
Foreign exchange	(1,166)	(700)	(466)	67%
Adjusted EBITDA Loss	**(2,081)**	(2,213)	132	-6%

	Q1-24 vs Q1-23
Revenues	• Revenues represent sales of products based on Valeo's list price less chargebacks, price adjustments or other deductions related to provincial PLA's, GPO's agreements, early payment cash discounts, product returns or others. Such chargebacks and price deductions vary on a product-by-product basis. Consequently, the mix of product sales will greatly influence revenues and ultimately profitability. • Revenues are trending upwards due to continued traction in the market although on a different sales mix, mainly from continued efforts and associated traction from Core brands.
	• Q1-24 Revenue performance returning to sales trend established prior to Q4-23 with $13.5 million compared to revenues of $13.1 million in Q1-23, a 3% increase and turning a 3% increase versus Q4-23. • The comparable quarter YoY increase resulted mainly from sales uplift generated via promotional activities in Respiratory, Allerject and continued growth from other core products, Redesca, Simbrinza. • Enerzair continues to lead the fast-growing triple-active therapy asthma market, while Atectura continues to benefit from market share gains within the double-active therapy asthma market.
Gross Profit $ and ratio %	• In addition to the transfer price for products, cost of goods also takes into consideration the amortization of product rights.
	• Q1-24 gross profit contribution was down -34% over Q1-23 period at $2.3 million. Gross profit % in Q1-24 has been impacted by the inventory write-offs for new product launch (See "Adjusted Gross Profit"), and Gross profit% in Q1-23 by the under-provisioned rebates (PLA/GPO) of Q1-23 which was adjusted in Q4-23.

	• From growing momentum on core assets and progressively improving product mix, Valeo team expects output to result in positive impact on overall profitability.
Adjusted Gross Profit $ and ratio %	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures") • Adjusted Gross Profit is defined as gross profit from product sales less the amortization charges related to license fees, impairment charges, non-recurrent inventory write-offs specific to product launches. • Management believes that Adjusted Gross Profit better reflects the true profit contribution of Valeo's product mix. • After eliminating the amortization charges as well as other non-recurrent adjustments, Adjusted Gross Profit for Q1-24 of $3.9 million remained nearly unchanged compared to Q1-23, a -1% deterioration. • Adjusted Gross Profit margin % has decreased slightly between Q1-24 compared to Q1-23 because of the loss of momentum associated to Xiidra cease of promotion impacting its revenue.
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 Valeo's S&M expenses, those expenses have increased following the expansion of Valeo's commercial team and the creation of its Respiratory/Allergy BU and more recently the addition of the Ophthalmology BU. • Going forward S&M expenses as a % of revenues should decrease over time as brands gain momentum in market and/or, investments are arbitrated in alignment with product lifecycle. • S&M expenses for Q1-24 were $4.7 million compared to $4.5 million for Q1-23, a 5% increase. • The QoQ increases resulted from additional product launch costs to support new branded products acquired in the second half of FY-22. • S&M as % of Revenues increased from 34% in Q1-23 to 35% of revenues in Q1-24. •
General and Administrative ("G&A") expenses	• G&A expenses consist primarily of staff costs for Valeo's non-S&M management team such as administration, finance and accounting, business development, legal, IR and IT. • G&A expenses for Q1-24 were $1.5 million compared to $1.4 million for Q1-23, a 9% increase. • G&A expenses in Q1-23 included a $0.4 million non-recurrent severance paid to the departing COO. • Before considering the $0.4 million severance charge, G&A expenses have increased from 7% of revenues in Q1-23 compared to 11% of revenues in Q1-24. This increase is mainly due to transformation costs initiated on the basis of relentless focus on core assets and on OPEX reduction materializing throughout the remainder of FY-24. • G&A expenses have stabilized since implementation of the corporate structure in the second half of FY-21. •
Medical Affairs and Regulatory ("MA & Reg") expenses	• MA & Reg expenses for Q1-24 were $0.7 million, representing a -19% decrease over Q1-23. • MA & Reg expenses in Q1-24 represented 5% of revenues as compared to 7% for Q1-23. • Same as for S&M and G&A expenses, expectation for MA & Reg expenses to trend downward as a % of revenues as Revenues momentum grows and core brands are positioned to capture market opportunities. (See "Selected Quarterly Financial Information")
Share-Based Compensation	• SBC expenses represent the costs relating to the issuance of stock options and RSUs/DSUs to new staff and board members and the vesting of same over time. • SBC expenses were $0.1 million in Q1-24 as compared to $0.5 million in Q1-23 mainly due to issuance of DSUs vested in Q1-23 vs nil in Q1-24.
Total Operating Expenses ("Total OPEX") and Total OPEX as % of Revenues	• Total OPEX stood at $7.1 million in Q1-24, down 2% compared to $7.3 million in Q1-23. • The 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 QoQ expansion of gross profits and a direct impact to overall profitability. • Valeo's ratio of total OPEX to revenues has declined from 55% in Q1-23 to 53% in Q1-24. Management expects total OPEX as % of Revenues to return to a downward trend as Revenues return to growth and incrementally leverage commercial infrastructure. In Q1-24, Valeo took initiatives to reduce OPEX (see "Q1-24 Highlights). Management expects the OPEX reduction to grow into Q2-24 and continue materializing throughout remainder of FY-24.
Financial, net	• Financial expenses reflect the capital structure of the Corporation and include costs for issuing interest bearing debentures in lieu of shares to finance operations. Financial expenses also capture costs for non-recurrent use of the revolving credit facility, supplier financing, other financial charges, and bank fees. • Financial expenses also capture Foreign Exchange (F/X) gain or loss, as well as lease interest. • Financial expenses in Q1-24 were $2.6 million compared to $2.5 million in Q1-23. • Financial expenses in Q1-24 also included a $1.2 million unrealized net F/X gain, resulting from the conversion at the end of Q1-24 of the US$ denominated Sagard loan and revolving credit facility compared to the prior quarter, less F/X loss 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.
Unrealized gain on derivative warrant liability	• Following the April 2021 bridge financing, warrants issued as part of the transaction resulted in the creation of an embedded derivative warrant liability. • In Q1-23, the impact of the re-evaluation of the embedded derivative was an unrealized gain of $97. • The embedded derivative was eliminated in Q2-23 on expiry of the warrants. No impact to Q1-24.
Other income	• In Q1-24, a gain on disposal of intangible assets of $0.2 million was recorded as part of an asset sale agreement, and the sale of material associated to the transfer of Xiidra assets to B&LC generated income of $0.4 million.
Net loss for the period	• Net loss for Q1-24 was $6.9 million compared to $6.2 million for Q1-23, representing a 10% increase. • The increase in net loss Q1-24 was due to Gross profit negatively impacted by inventory write-offs materialized for new product launch.
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 Q1-24 of $2.5 million has remained unchanged compared to Q4-23.
Adjusted EBITDA (L)	• (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")
	• Adjusted EBITDA(L) includes adjustments such as Share-Based Compensation, foreign exchange as well as other non-recurrent adjustments to net loss such as material severance costs. • Following such adjustments, Adjusted EBITDA loss in Q1-24 was $2.1 million compared to $2.2 million in Q1-23, representing a 6% improvement.

Consolidated Balance Sheet Highlights

			Change	
	Q1-24	**YE-23**	*$*	*%*
Cash	**9,585**	7,502	*2,083*	*28%*
Trade and other receivables	**5,135**	6,565	*(1,430)*	*-22%*
Inventories	**9,705**	10,246	*(541)*	*-5%*
Intangible assets	**12,689**	13,300	*(611)*	*-5%*
Total assets	**40,353**	41,207	*(854)*	*-2%*
Revolving credit facility	**3,472**	2,794	678	24%
Accounts payable and accrued liabilities	**15,794**	11,416	4,378	38%
Provisions	**5,049**	4,188	861	21%
Convertible debentures	**22,881**	-	22,881	*100%*
Current portion of long-term debt	**4,320**	1,807	2,513	139%
Total current liabilities	**51,581**	20,274	31,307	154%
Convertible debentures	**-**	22,368	*(22,368)*	*-100%*
Advance from shareholders	**609**	592	*17*	*3%*
Long-term debt	**33,687**	36,796	*(3,109)*	*-8%*
Total liabilities	**87,366**	81,544	*5,822*	*7%*
Share capital	**31,820**	31,696	*124*	*0%*
Warrants	**2,967**	2,967	-	*0%*
Equity component of convertible debenture	**2,989**	2,989	-	*0%*
Deficit	**(89,136)**	(82,264)	*(6,872)*	*8%*

	Q1-24 vs YE-23
Cash	• Cash balance at the end of Q1-24 stood at $9.6 million compared to $7.5 million at YE-23 representing a $2.1 million increase. The increase between the two reported periods included 1) the increase in revolving credit facility of $0.7 million, and 2) working capital and operating requirements for Q1-24.
Trade and other receivables	• Trade and other receivables decreased to $5.1 million at Q1-24, a $1.4 million decrease from YE-23 at $6.6 million. Q1-24 receivables level reflect sales during the soft calendar end period while Valeo's YE-23 level reflected the strong sales performance in the later part of FY-23.
Inventories	• Inventory levels decreased by $0.5 million between YE-23 and Q1-24 mainly due to additional inventory write-offs materialized for new product launch.

Intangible assets	• Intangible assets represent investments made to build product pipeline and are amortized using the straight-line method, over the remaining useful life of the asset (or license) starting when the product is ready for commercialization. • Intangible assets are tested quarterly for impairments as per IFRS Standards (IAS 38) to ensure that the recoverable value of each asset exceeds its book value. • Intangible assets have decreased by $0.6 million at the end of Q1-24 compared to YE-23 reflecting amortization charges for the period.
Total assets	• Total assets decreased by $0.9 million between YE-23 and Q1-24. Nominal changes for the period.
Revolving credit facility	• Implemented in Q4-23 via agreement with Accord Financial. • Revolving credit facility increased by $0.7 million at the end of Q1-24 to support Valeo's operations and inventory purchases.
Accounts payable and accrued liabilities	• Accounts payable and accrued liabilities have increased by $4.4 million between YE-23 and Q1-24, representing a 38% increase. The Q1-24 trade accounts payables included the impact of large shipments due to seasonality in supply procurement and trade terms.
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 Q1-24 have increased by $0.9 million or, 21% compared to YE-23 reflecting commercial conditions evolution – mainly for GPO and PLA rebates (evolution in product demand mix over the last invoices and the corresponding accruals).
Current portion of convertible debentures	• Corresponds to current portion of convertible debenture becoming due in Q4-24 *(see "Convertible debenture" in this table).*
Current portion of long-term debt	• Corresponds to current portion of long-term debt contracted with Sagard becoming due in Q4-24 *(see "Long-Term Debt" in this table).*
Total current liabilities	• Valeo's current liabilities between YE-23 and Q1-24 increased by $31.3 million, representing 154% due to cumulative impacts mainly from increase in accounts payable and accrued liabilities, the reclassification of the total of balance of convertible debenture from non-current to current liabilities and the increase in the current portion of long-term debt.
Convertible debentures	• Balance associated to $25 million convertible debentures financing realized in Q1-22. • The current portion in Q1-24 and the non-current portion in YE-23 amounts are presented after netting the transaction costs, the allocation of the conversion features of the debenture to the equity component, as well as the accretion expense. The $0.5 million reduction since YE-23 includes $0.4 million from accretion expense for Q1-24 period. The total balance of convertible debentures is becoming due in Q4-24 and is presented in current liabilities.
Advance from a Shareholder	• Represent loan agreement with related party of $0.6 million + annual interest rate of 12%.
Long-term debt	• Balance associated to US$30 million debt recorded in July 2022 and represents the Canadian $ equivalent of the Sagard debt, less the value of the warrants issued as part of the transaction and recorded as equity and the transaction costs. • The Q1-24 value of the Sagard Debt decreased by $3.1 million since YE-23 due to 1) an increase of $0.6 million accretion expense for the Q1-24 period, 2) F/X impact of converting Sagard debt at YE-23 and Q1-24 which led to a -$1.3 million gain for Q1-24, and 3) the increase of $2.5 million of the current portion of long-term debt becoming due in Q4-24.
Share capital	• Nominal changes for the period.
Deficit	• The increase reflects the performance of the Corporation during the period (See "Consolidated Statement of Loss")

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1-24	Q4-23	Q3-23	Q2-23	**Q1-23**	Q4-22	Q3-22	Q2-22
Revenues	**13,539**	13,108	14,082	13,558	**13,162**	12,663	6,073	4,768
Cost of Goods Sold	**11,281**	12,942	10,250	9,459	**9,775**	12,056	4,139	3,382
Gross Profit	**2,258**	166	3,832	4,099	**3,387**	607	1,934	1,386
Gross Profit % to Revenues	***16.7%***	*1.3%*	*27.2%*	*30.2%*	***25.7%***	*4.8%*	*31.8%*	*29.1%*
Adjusted Gross Profit[1]	**3,859**	2,128	4,614	4,677	**3,897**	3,262	2,157	1,515
Adjusted Gross Profit %[1]	***28.5%***	*16.2%*	*32.8%*	*34.5%*	***29.6%***	*25.8%*	*35.5%*	*31.8%*
Expenses								
Sales and Marketing	**4,725**	5,143	5,439	4,800	**4,491**	4,314	4,098	3,539
General and Administrative	**1,477**	1,327	1,068	1,026	**1,343**	1,261	979	723
Medical affairs, QA & regulatory	**725**	721	741	847	**896**	1,444	680	814
Share-Based Compensation	**194**	109	14	228	**519**	235	262	222
Total OPEX	**7,121**	7,300	7,262	6,901	**7,249**	7,254	6,019	5,298
Total OPEX as % of Revenues	***52.6%***	*59.2%*	*54.7%*	*53.5%*	***57.7%***	*60.3%*	*104.0%*	*116.8%*
Operating Loss	**(4,863)**	(7,134)	(3,430)	(2,802)	**(3,862)**	(6,647)	(4,085)	(3,912)
Other Expenses (income)								
Financial, net	**2,618**	2,111	2,408	3,886	**2,483**	4,149	1,282	1,169
Loss (gain) on derivative warrant liability	**-**	-	-	(211)	**(97)**	(307)	14	17
Other income	**(609)**	-	-	-	**-**	-	-	-
Income taxes	**-**	-	-	-	**-**	(1,174)	-	-
Net Loss for the period	**(6,872)**	(9,245)	(5,838)	(6,477)	**(6,248)**	(9,315)	(5,381)	(5,098)
EBITDA (Loss)[1]	**(2,487)**	(8,445)	(1,832)	(2,738)	**(2,480)**	(7,046)	(3,910)	(3,634)
Adjusted EBITDA (Loss)[1]	**(2,081)**	(4,546)	(2,480)	(1,694)	**(2,213)**	(2,912)	(3,465)	(3,637)

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

Notes	Valuable information
Revenues	• Q1-24 Revenues were up from Q4-23 due to catch-up in 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. • Q1-24 Revenues were down compared to Q2-23 and Q3-23. With proper re-set of material catch-up adjustments reflected under Q4-23, the effective trend would return a continued growth trend from Q1-23 to Q1-24, despite loss of momentum associated to Xiidra cease of promotion. • 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 in Q1-24 reflects continuity in a healthy capture of gross-to-net adjustments following the adjustments in Q4-23. • Adjusted Gross Profit in Q4-23 is negatively impacted by adjustments carried out on rebates/returns provision. Product mix relative contribution is driving a temporary bias in Adjusted Gross Profit. • Expecting FY-2024 performance to return to Improvement trend observed from Q2-22 to Q3-23.
Sales and Marketing	• S&M expenses decreased in Q1-24 compared to Q4-23 as transformation has started to show OPEX reduction in Q1-24. Management expect OPEX reduction to significantly grow into Q2-24 and continue materializing throughout the remainder of FY-24. • S&M increased in Q4-22 and Q1-23 reflecting addition of Ophthalmology business unit. Q2-23 and Q3-23 also materializing increases tied to momentum in Asthma/Allergy business unit.
General and Administrative	• G&A expenses increased in Q1-24 mainly due to transformation costs initiated based on relentless focus on core assets and on OPEX reduction materializing throughout the remainder of FY-24.

	• G&A expenses generally stable through FY-23 when excluding $0.4 million severance paid to departing COO in Q1-23. Q3-22 G&A expenses were positively impacted by a $0.4 million recovery from the fraud recorded in Q2-22.
Medical Affairs and Regulatory	• Medical Affairs and Regulatory activities remained stable in Q1-24 and through FY-23. • Medical Affairs and Regulatory activities have declined in Q1-23 compared to the prior period due to timing of MA & Reg activities, as well as a $0.5 million impairment charges on intangible assets expensed in Q4-22.
Share-Based Compensation	• Represents the costs of issuing stock options, RSUs and DSUs (Long-Term Incentive Plan or "LTIP"). Fluctuation between quarters is due to the hiring of staff, the addition of Board members and the vesting associated with LTIP initiatives. In Q3-23, Share-based compensation decreased compared to the prior quarter due to an increase in the forfeiture rate of options to reflect the revised percentage of options granted that are expected to cancel or to forfeit based on historical data.
Total Operating Expenses ("Total OPEX")	• Despite the varying costs of samples purchased, total OPEX has been stable over the last few quarters after being impacted by expenses related to the addition of the new Ophthalmology business unit in the later part of FY-22. • The ratio of total OPEX to revenues is trending down and indicative of Valeo's commercial progress and better utilization of its operating leverage. The ratio of OPEX to revenues was 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, Q1-24 and 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 "Q1-24 Highlights" section)*
Financial, net	• Financial expenses were slightly up in Q1-24 vs 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.
Other income	• In Q1-24, a gain on disposal of intangible assets of $0.2 million was recorded as part of an asset sale agreement, and the sale of material associated to the transfer of Xiidra assets to B&LC generated income of $0.4 million.
Net loss for the period	• Q1-24 Net loss decreased vs Q4-23 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 during Q4-23. • Net loss in Q1-23 decreased by 33% compared to Q4-22 and reflects the increase in gross profit, and tight control over OPEX. The net loss in Q4-22 reflected a significant write-off on intangibles which was necessary to adjust the carrying value of some intangible assets.
EBITDA (Loss)	• Q1-24 EBITDA loss was impacted by inventory write-offs for newly launched brand of $1.1 million. • Q4-23 EBITDA loss outlier to downward trend as result of catch-up in carrying provisions for rebates/returns directly translating to Gross Profit as well as Inventory write-off tied to newly commercialized brand.
Adjusted EBITDA (Loss)	• Adjusted EBITDA (loss) in Q4-23 increased compared to Q1-24 and prior quarters as a result of 1) lower than expected margins due to increased accruals to normalize the level of provisions for GPO and PLA charges to keep track of Valeo's revenue mix, and 2) adjustment to sales return provision to better align with conditions reflective of specialty pharma market. • Over the last 8 quarters period, Adjusted EBITDA performance reflected the sequential QoQ increase in Valeo's revenues and gross profit, and control over OPEX. • Similar to Net Loss and EBITDA (Loss), expectation is that Adjusted EBITDA performance will return to improvement trend over the coming quarters – materializing positive sales momentum in core products Redesca, Enerzair and Atectura, and translating into incremental operating profit and contributing to Valeo reaching profitability.

LIQUIDITIES AND CAPITAL RESOURCES

			Change	
	Q1-24	Q1-23	*$*	*%*
Operating Activities				
Net loss from operations	**(6,872)**	(6,248)	(624)	10%
Other Items not affecting cash	**568**	1,605	(1,037)	-65%
Changes in non-cash working capital	**6,465**	(6,449)	12,914	-200%
Cash used by operations	**161**	(11,092)	11,253	-101%
Investing activities				
Cash used by investing activities	**225**	(176)	401	-228%
Financing Activities				
Cash provided by financing activities	**460**	-50	510	-1000%
Foreign exchange loss on cash	**(233)**	(229)	(4)	2%
Increase (decrease) in cash	**613**	(11,547)	12,160	-105%
Cash, beginning of the period	**7,502**	22,501	(14,999)	-67%
Cash, end of period	**8,115**	10,954	(2,839)	-26%

	Q1-24 vs Q1-23
Cash used in operations	• Cash used in operations represents cash flows from operations, excluding income and expenses not affecting cash.
	• Cash generated in operations for Q1-24 was $0.2 million compared to $11.1 million cash used in Q1-23, a $11.3 million improvement. The increase came from a $12.9 million increase in non-cash working capital partly offset by $1.0 million from items not affecting cash and $0.6 million deterioration in net loss from operations.
Cash used in investing activities	• Cash used in investing activities shows nominal amounts in Q1-24 and Q1-23.
Cash provided by financing activities	• Implementation of Revolving Credit Facility generated $0.7 million at end of January 2024, which was partly offset by repayment of interest and lease liabilities. *(see notes 9 and 15 of Financial Statements)* • During Q1-24 financing activities generated net cash of $0.5 million compared to nominal $0.1 million use for the corresponding prior year period.

Related Party Transactions

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

	Q1-24	Q1-23
Key management salary and benefits	**455**	722
Directors and employee stock option compensation	**194**	519
Consulting fees paid to a company controlled by an officer	**69**	75
Interest on convertible debentures owned to key management, officers and directors	**8**	8
Interest on convertible debentures owned to 100079 Canada Inc., a shareholder of the Corporation	**46**	46
Service income	**4**	-
Interest on advance from a shareholder	**17**	-

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

	January 31, 2024	October 31, 2023
Amounts owed to key management, officers and directors		
Expenses incurred in the normal course of business	**-**	1
Convertible debentures	**248**	244
Accrued interest on convertible debentures	**9**	11
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,440**	1,416
Accrued interest on convertible debentures	**52**	65
Advance from shareholders	**580**	580
Accrued interest on advance from a shareholder	**29**	12
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**100**	96
Amounts owed from a shareholder		
Advance to a shareholder	**92**	49

Going Concern

These consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the three-month period ended January 31, 2024, the Corporation incurred a net loss of $6,872, however provided cash in operations of $1,631. As at January 31, 2024, the Corporation had a working capital deficit of $26,536. 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	**Q1-24**	YE-23	*$*	*%*
Cash	**9,585**	7,502	*2,083*	*28%*
Trade and other receivables	**5,135**	6,565	*(1,430)*	*-22%*
Inventory	**9,705**	10,246	*(541)*	*-5%*
Prepaid expenses and deposits	**620**	930	*(310)*	*-33%*
Revolving credit facility	**3,472**	2,794	*678*	*24%*
Accounts payables and accrued liabilities	**15,794**	11,416	*4,378*	*38*
Provisions	**5,049**	4,188	*861*	*21%*
Working Capital	**(26,536)**	4,969	*(31,505)*	*-634%*

Cash at the end of Q1-24 stood at $9.6 million as compared to $7.5 million at the start of the year, representing a $2.1 million increase. Working capital deficit at the end of Q1-24 stood at $26.5 million compared to $5.0 million surplus at end of Q4-23 representing a $31.5 million decrease.

Recognizing the need to fund operations and inventory requirements, over the course of FY-24, Valeo continued leveraging the existing credit facilities implemented late into FY-23. In addition, Valeo also proceeded to monetize specific secondary assets via disposal of base business brands. The proceeds will be used to improve working capital. (See "Q1-24 Highlights" and "Subsequent Events"). The transaction completed in February contributed net proceeds of $1.5 million.

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 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.

Q1-24 presents a return to trend established prior to Q4-23 with quarterly revenue and adjusted gross profit performance. Looking ahead, management expects the growing contribution of core products to materially impact revenues and gross profit going forward. Valeo is determined to reach EBITDA profitability in the near future by leveraging commercial potential of current product portfolio and applying relentless focus to operations. Leveraging existing commercial assets and footprint, optimizing scale via acquisition of additional product rights immediately contributing to results, is of the upmost importance for Valeo's management to reach EBITDA profitability over the coming year.

Opportunity to Accelerate growth and profitability through Business Development and Licensing

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

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

Financial Risk Factors

(a) Market risk

(i) Currency risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation has an investment in a U.S. subsidiary, however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at January 31, 2024, a 5% increase/decrease in the USD/CAD exchange rates would have a $1,847 (2023 - $1,747) 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:

	January 31, 2024		October 31, 2023	
As at	**USD currency**	**CAD equivalent**	USD currency	CAD equivalent
Cash	**5,181**	**6,941**	5,027	6,974
Trade and other receivables	**-**	**-**	430	597
Revolving credit facility	**1,274**	**1,709**	1,500	2,081
Accounts payable and accrued liabilities	**2,089**	**2,800**	1,317	1,827
Long-term debt	**28,369**	**38,007**	27,823	38,603

(ii) Cash flow and fair value interest rate risk

The Corporation is exposed to fluctuation in its future cash flows arising from changes in interest rates through its variable rate exposure under its senior debt facility. 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 January 31, 2024, 95% (2023 – 92%) of trade accounts receivables were current and three customers accounted for 87% (2023 – 77%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

(c) Liquidity risk

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

As at January 31, 2024	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	**3,513**	**-**	**-**	**-**	**3,513**
Accounts payable, accrued liabilities, and provisions	**11,092**	**205**	**7,317**	**-**	**18,614**
Lease liability	**20**	**40**	**166**	**2,296**	**2,522**
Convertible debentures, including interest	**300**	**750**	**28,300**	**-**	**29,350**
Advance from a shareholder, including interest	**-**	**-**	**-**	**609**	**609**
Long-term debt, including interest and exit fees	**1,550**	**1,561**	**6,654**	**55,228**	**64,993**
	16,475	**2,556**	**42,437**	**58,133**	**119,601**

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

(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 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 January 31, 2024, the Corporation is not subject to any externally imposed capital requirements.

Risk Factors

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

Disclosure Controls and Procedures

The Corporation is committed to providing timely, accurate and balanced disclosure of all material information about the Corporation and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its disclosure controls and procedures ("DC&P") to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Corporation have been detected. Management continues to evolve and enhance its system of controls and procedures. Management, after evaluating the effectiveness of the Corporation's DC&P as at January 31, 2024, have concluded that the Corporation's DC&P are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

Internal Control Over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Corporation has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. For the three-month period ended January 31, 2024, management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Corporation. Based on this evaluation, management concluded that the ICFR were appropriately designed, and no material weaknesses or significant deficiencies were noted, as at January 31, 2024. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our DC&P or ICFR will prevent all errors or all fraud.

Disclosure of Outstanding Share Data

Valeo's authorized share capital consists of an unlimited number of Common Shares. As at March 14, 2024, Valeo had 98,657,427 Common Shares outstanding. In addition, a total of 47,902,145 Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Valeo, and comprised of:

i. 21,739,132 Common Shares issuable upon conversion of the Convertible Debentures,
ii. 19,768,413 Common Shares issuable upon exercise of Warrants,
iii. Nil Common Shares issuable upon exercise of RSUs (assuming full vesting),
iv. 395,850 Common Shares issuable upon exercise of DSUs (assuming full vesting), and
v. 5,998,750 Common Shares issuable upon exercise of Options (assuming full vesting).

Interim Condensed Consolidated Financial Statements

(Unaudited)

Valeo Pharma Inc.

January 31, 2024
First quarter fiscal year 2024

Valeo Pharma Inc.

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

As at	*Notes*	**January 31, 2024**	October 31, 2023
ASSETS			
Current			
Cash		**9,585**	7,502
Trade and other receivables	*4*	**5,135**	6,565
Inventories	*5*	**9,705**	10,246
Prepaid expenses and deposits		**620**	930
Total current assets		**25,045**	25,243
Property and equipment	*6*	**1,573**	1,588
Right of use assets	*7*	**1,046**	1,076
Intangible assets	*8*	**12,689**	13,300
Total assets		**40,353**	41,207
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Revolving credit facility	*9*	**3,472**	2,794
Accounts payable and accrued liabilities	*10*	**15,794**	11,416
Provisions	*11*	**5,049**	4,188
Lease liability	*12*	**65**	69
Convertible debentures	*13*	**22,881**	-
Current portion of long-term debt	*15*	**4,320**	1,807
Total current liabilities		**51,581**	20,274
Lease liability	*12*	**1,321**	1,335
Convertible debentures	*13*	**-**	22,368
Advance from a shareholder	*14*	**609**	592
Long-term debt	*15*	**33,687**	36,796
Defined benefit obligations		**168**	179
Total liabilities		**87,366**	81,544
SHAREHOLDERS' EQUITY			
Share capital	*16a*	**31,820**	31,696
Warrants		**2,967**	2,967
Contributed surplus		**4,649**	4,582
Equity component of convertible debentures		**2,989**	2,989
Accumulated other comprehensive loss		**(302)**	(307)
Deficit		**(89,136)**	(82,264)
Total shareholders' equity (deficit)		**(47,013)**	(40,337)
Total liabilities and shareholders' equity		**40,353**	41,207

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

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

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars, except for share and per share information)
For the three-month periods ended January 31, 2024 and 2023

	Notes	**January 31, 2024**	January 31, 2023
Revenues		**13,539**	13,162
Cost of goods sold	*18*	**11,281**	9,764
Gross Profit		**2,258**	3,398
Expenses			
Sales and marketing	*19*	**4,725**	4,491
General and administrative	*20*	**1,477**	1,354
Medical affairs and regulatory	*21*	**725**	896
Share-based compensation	*16b,c,d*	**194**	519
Total operating expenses		**7,121**	7,260
Operating loss		**(4,863)**	(3,862)
Other expenses (income)			
Financial, net	*22*	**2,618**	2,483
Unrealized gain on derivative warrant liability		**-**	(97)
Other income	*23*	**(609)**	-
Total other expenses		**2,009**	2,386
Net loss for the period		**(6,872)**	(6,248)
Other comprehensive income (loss)			
Exchange differences on translating foreign operations		**5**	3
Total comprehensive loss for the period		**(6,867)**	(6,245)
Loss per share:			
Basic and diluted		**(0.08)**	(0.08)
Weighted average number of shares outstanding		**86,137,904**	80,899,462

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

Valeo Pharma Inc.

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

(All amounts in thousands of Canadian dollars)

For the three-month periods ended January 31, 2024 and 2023

						Accumulated Other Comprehensive Loss			
	Notes	**Share Capital**	**Warrants**	**Contributed surplus**	**Equity component convertible debenture**	**Defined benefit plan**	**Foreign exchange translation**	**Deficit**	**Total**
Balance as at October 31, 2022		26,359	2,926	4,410	3,114	(163)	(38)	(54,456)	(17,848)
Net loss		-	-	-	-	-	-	(6,248)	(6,248)
Other comprehensive income		-	-	-	-	-	3	-	3
Share based compensation		71	-	448	-	-	-	-	519
Balance as at January 31, 2023		26,430	2,926	4,858	3,114	(163)	(35)	(60,704)	(23,574)
Balance as at October 31, 2023		**31,696**	**2,967**	**4,582**	**2,989**	**(267)**	**(40)**	**(82,264)**	**(40,337)**
Net loss		-	-	-	-	-	-	(6,872)	**(6,872)**
Other comprehensive income		-	-	-	-	-	5	-	**5**
Share-based compensation	*16b,c,d*	-	-	194	-	-	-	-	**194**
Settlement of share-based awards	*16c*	28	-	(28)	-	-	-	-	**-**
Withholding taxes on share-based settlement, current period		(3)	-	-	-	-	-	-	**(3)**
Withholding taxes on share-based settlement, prior period	*16c*	99	-	(99)	-	-	-	-	**-**
Balance as at January 31, 2024		**31,820**	**2,967**	**4,649**	**2,989**	**(267)**	**(35)**	**(89,136)**	**(47,013)**

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

Valeo Pharma Inc.

Interim Condensed Consolidated Statements of Cash Flow
(Unaudited)
(All amounts in thousands of Canadian dollars)
For the three-month periods ended January 31, 2024 and 2023

	Notes	**January 31, 2024**	January 31, 2023
OPERATING ACTIVITIES:			
Net loss for the period		**(6,872)**	(6,248)
Adjustments:			
Depreciation and amortization	*6,7,8*	**652**	617
Share-based compensation	*16b,c,d*	**194**	519
Interest expense	*22*	**1,324**	1,180
Interest in the form of royalty	*15*	**168**	23
Estimate revision on interest in the form of royalty	*15*	**68**	-
Defined benefit pension plan expense		**(11)**	(20)
Unrealized gain on foreign exchange		**(1,245)**	(634)
Unrealized gain on derivative warrant liability		**-**	(97)
Write down of inventories	*18*	**1,108**	17
Gain on disposal of intangible asset	*23*	**(221)**	-
Net change in non-cash working capital	*17*	**6,466**	(6,449)
Cash provided (used) by operating activities		**1,631**	(11,092)
INVESTING ACTIVITIES:			
Acquisition of property and equipment	*6*	**(50)**	(101)
Acquisition of intangible assets	*8*	**-**	(75)
Proceeds on disposal of intangible asset	*8*	**275**	-
Cash provided (used) by investing activities		**225**	(176)
FINANCING ACTIVITIES:			
Increase in revolving credit facility	*9*	**680**	-
Principal repayment of lease liabilities	*12*	**(60)**	(50)
Repayment of interest in the form of royalty	*15*	**(151)**	-
Financing fees	*13*	**(9)**	-
Cash provided (used) by financing activities		**460**	(50)
Foreign exchange loss on cash		**(233)**	(229)
Increase (decrease) in cash		**2,083**	(11,547)
Cash, beginning of period		**7,502**	22,501
Cash, end of period		**9,585**	10,954

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

1. Presentation of Financial Statements and Going Concern

Description of the Business

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

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

Statement of Compliance

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

Going Concern

These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, which implies that the Corporation will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. As reflected in the unaudited interim condensed consolidated financial statements, the Corporation is in the process of ramping up its activities and has not yet achieved profitability. During the three-month period ended January 31, 2024, the Corporation incurred a net loss of $6,872, however provided cash in operations of $1,631. As at January 31, 2024, the Corporation had a working capital deficit of $26,536. This raises significant doubt about the Corporation's ability to continue as a going concern.

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

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

2. Summary of Significant Accounting Policies

Basis of Consolidation

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

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation. Profit or loss and other comprehensive income (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 unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis, under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value including the derivative warrant liability.

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

2. Summary of Significant Accounting Policies – cont'd

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

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

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

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

Comparative figures presented for the three-month period ended January 31, 2023 have been restated to reflect the reclassification of distribution, and royalty and profit-sharing costs from operating expenses to cost of goods sold. The impact of these adjustments on the comparative consolidated financial statement is as follows:

	Three months ended January 31, 2023 as previously reported	**Reclassification**	**Three months ended January 31, 2023 as restated**
Cost of goods sold	9,433	331	**9,764**
Gross Profit	3,729	(331)	**3,398**
Expenses			
General and administrative	1,623	(269)	**1,354**
Royalty and profit sharing	62	(62)	**-**
Total operating expenses	7,591	(331)	**7,260**

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

3. Use of Estimates and Judgements

The preparation of the unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2023 audited annual consolidated financial statements and are still applicable for the three-month period ended January 31, 2024.

4. Trade and Other Receivables

As at	**January 31, 2024**	October 31, 2023
Trade and other receivables	**4,875**	6,421
Sales taxes receivables	**260**	144
	5,135	6,565

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

5. Inventories

As at	**January 31, 2024**	October 31, 2023
Finished goods	**9,685**	10,233
Raw material	**20**	13
	9,705	10,246

6. Property and Equipment

	Leasehold improvements	**Computer equipment**	**Equipment and furniture**	**Total**
Cost as at October 31, 2023	1,194	772	607	2,573
Additions	-	50	-	50
Cost as at January 31, 2024	**1,194**	**822**	**607**	**2,623**
Accumulated depreciation as at October 31, 2023	301	420	264	985
Depreciation	24	27	14	65
Accumulated depreciation as at January 31, 2024	**325**	**447**	**278**	**1,050**
Net carrying value as at January 31, 2024	**869**	**375**	**329**	**1,573**

7. Right of Use Assets

	Building	**Other**	**Total**
Cost as at October 31, 2023 and January 31, 2024	1,199	105	1,304
Accumulated depreciation as at October 31, 2023	181	47	228
Depreciation	23	7	30
Accumulated depreciation as at January 31, 2024	**204**	**54**	**258**
Net carrying value as at January 31, 2024	**995**	**51**	**1,046**

8. Intangible Assets

	Submission costs	**License fees**	**Software**	**Total**
Cost as at October 31, 2023	2,400	14,786	75	17,261
Disposal	(176)	-	-	(176)
Cost as at January 31, 2024	**2,224**	**14,786**	**75**	**17,085**
Accumulated amortization as at October 31, 2023	799	3,143	19	3,961
Amortization	58	493	6	557
Disposal	(122)	-	-	(122)
Accumulated amortization as at January 31, 2024	**735**	**3,636**	**25**	**4,396**
Net carrying value as at January 31, 2024	**1,489**	**11,150**	**50**	**12,689**

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

9. Revolving Credit Facility

	Three months ended January 31, 2024	Year ended October 31, 2023
Opening balance	**2,794**	-
Increase in revolving credit amount	**680**	2,744
Interest	**143**	46
Transaction costs	**-**	(49)
Transaction costs amortization	**6**	2
Foreign exchange difference	**(151)**	51
Balance as at end of period	**3,472**	2,794

As at January 31, 2024, the revolving credit facility has an outstanding amount of $3,513 of which $1,804 was drawn in Canadian dollars and $1,274 in US dollars ($1,709 in Canadian dollars).

10. Accounts Payable and Accrued Liabilities

As at	January 31, 2024	October 31, 2023
Trade accounts payable	**9,584**	3,992
Other accounts payable and accrued liabilities	**3,981**	5,026
Accrued interest	**2,229**	2,277
Payable to related parties	**-**	121
	15,794	11,416

11. Provisions

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

	Product returns	Pricing rebates and chargebacks	Cash discounts	Total
Balance as at October 31, 2023	650	3,448	90	4,188
Charges	-	2,959	264	3,223
Utilization and reversal	-	(2,086)	(276)	(2,362)
Balance as at January 31, 2024	**650**	**4,321**	**78**	**5,049**

12. Lease Liability

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

	Three months ended January 31, 2024	Year ended October 31, 2023
Opening balance	**1,404**	1,165
Lease addition	**-**	301
Interest expense	**42**	162
Lease payments	**(60)**	(224)
Balance as at end of period	**1,386**	1,404
Which consists of		
Current lease liability	**65**	69
Non-current lease liability	**1,321**	1,335

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

13. Convertible Debentures

	Notes	Three months ended January 31, 2024	Year ended October 31, 2023
Opening balance		**22,368**	21,075
Transaction costs		**(9)**	-
Transaction costs amortization		**123**	370
Accretion expense	*a*	**399**	1,691
Conversion into shares	*b*	**-**	(768)
Balance as at end of period		**22,881**	22,368
Which consists of			
Current convertible debentures		**22,881**	-
Non-current convertible debentures		**-**	22,368

a. During the three-month period ended January 31, 2024, all convertible debentures incurred interest of $1,149 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $399.

As at January 31, 2024, a total of $850 is included in accrued interest on the consolidated statement of financial position.

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

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

b. During the second quarter ended April 30, 2023, $768 of convertible debentures issued in February 2020 and March 2020, $125 of equity component and $41 of interest payable were converted into $934 of share capital.

14. Advance from a Shareholder

	Three months ended January 31, 2024	Year ended October 31, 2023
Opening balance	**592**	-
Increase in advance from shareholder	**-**	580
Interest	**17**	12
Balance as at end of period	**609**	592

15. Long-term Debt

	Notes	Three months ended January 31, 2024	Year ended October 31, 2023
Opening balance		**38,603**	39,201
Transaction costs		**-**	(57)
Transaction costs amortization		**91**	340
Accretion expense	*a*	**550**	2,005
Interest in the form of royalty, net of payment		**17**	(7)
Estimate revision on interest in the form of royalty	*b*	**68**	(3,593)
Foreign exchange difference		**(1,322)**	714
Balance as at end of year		**38,007**	38,603
Classified as current liability		**4,320**	1,807
Classified as long-term liability		**33,687**	36,796

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

15. Long-term Debt – *cont'd*

a. During the three-month period ended January 31, 2024, the debt incurred interest of $1,929 included in financial expenses on the consolidated statement of loss. This amount includes an accretion expense of $550.

As at January 31, 2024, a total of $1,379 is included in accrued interest on the consolidated statement of financial position.

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

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

b. As at January 31, 2024, the Corporation adjusted the carrying value of the long-term debt by $68 to reflect the actual royalty during the period and the updated forecast of future royalties as compared to the initial estimate. This amount is classified within financial expenses in the consolidated statement of loss.

16. Share Capital and Other Equity Instruments

a) Share Capital

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

	Notes	**Number**	**$**
Balance as at October 31, 2022		82,190,348	26,359
Settlement of share-based awards, current period		75,000	71
Balance as at January 31, 2023		82,265,348	26,430
Balance as at October 31, 2023		**98,634,068**	**31,696**
Settlement of share-based awards	*16c*	43,696	28
Withholding tax on share-based settlement, current period		(10,909)	(3)
Withholding tax on share-based settlement, prior period		-	99
Balance as at January 31, 2024		**98,666,855**	**31,820**

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.

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

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

Changes in outstanding options were as follows:

	Three months ended January 31, 2024		Year ended October 31, 2023	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options outstanding, beginning of period	**6,523,888**	**$0.58**	7,287,222	$0.82
Granted	**300,000**	**$0.28**	1,675,000	$0.61
Forfeited	**(431,250)**	**$0.66**	(1,721,667)	$1.30
Cancelled/expired	**(26,666)**	**$0.71**	(716,667)	$1.34
Options outstanding, end of period	**6,365,972**	**$0.56**	6,523,888	$0.58
Options exercisable, end of period	**4,130,139**	**$0.54**	3,973,472	$0.54

183,333 options vested during the three-month period ended January 31, 2024 (2023 – 3,333).

The following options were granted during the three-month period ended January 31, 2024:

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

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

c) Restricted Stock Units (RSUs)

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

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

	Three months ended January 31, 2024		Year ended October 31, 2023	
	Number	Weighted Average Market Price	Number	Weighted Average Market Price
RSUs outstanding, beginning of period	**57,089**	**$0.61**	681,229	$0.95
Granted	**-**	**-**	26,786	$0.56
Redeemed	**(43,696)**	**$0.63**	(650,926)	$0.96
RSUs outstanding, end of period	**13,393**	**$0.56**	57,089	$0.61

During the three-month period ended January 31, 2024, nil RSUs were granted.

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

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

d) Deferred Stock Units (DSUs)

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

During the three-month period ended January 31, 2024, nil DSUs were granted.

As at January 31, 2024, 395,850 DSUs were outstanding and redeemable with a weighted average price of $0.56.

e) Warrants

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

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

17. Other Cash Flow Information

Net change in non-cash working capital

	Three months ended January 31,	
	2024	2023
(Increase) decrease in		
trade and other receivables	**1,430**	1,372
inventories	**(567)**	(4,495)
prepaid expenses and deposits	**310**	1,841
Increase (decrease) in		
accounts payable and accrued liabilities	**4,432**	(5,448)
provisions	**861**	281
	6,466	(6,449)

18. Cost of Goods Sold

	Three months ended January 31,	
	2024	2023
Finished goods	**9,053**	8,620
Freight, storage and handling fees	**264**	303
Write down of inventories	**1,108**	17
Amortization of intangible assets	**493**	493
Distribution	**327**	269
Depreciation of right of use assets	**3**	-
Royalty and profit sharing	**33**	62
	11,281	9,764

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

19. Sales and Marketing Expenses

	Three months ended January 31,	
	2024	2023
Employee compensation	**2,943**	3,054
Sales expenses	**797**	589
Marketing expenses	**858**	610
Samples	**121**	238
Amortization of intangible assets	**6**	-
	4,725	4,491

20. General and Administrative Expenses

	Three months ended January 31,	
	2024	2023
Employee compensation	**662**	799
Administrative expenses	**727**	490
Depreciation of property and equipment	**65**	42
Depreciation of right of use assets	**27**	23
Service income	**(4)**	-
	1,477	1,354

21. Medical Affairs and Regulatory Expenses

	Three months ended January 31,	
	2024	2023
Employee compensation	**366**	436
Patient support programs	**129**	22
Advisory boards and other expenses	**198**	412
Amortization of intangible assets	**58**	59
Service income	**(26)**	(33)
	725	896

22. Financial, net

	Three months ended January 31,	
	2024	2023
Interest on debentures	**750**	518
Effective interest on debentures	**522**	347
Interest on long-term debt	**1,379**	1,482
Effective interest on long-term debt	**641**	679
Interest in the form of royalty	**168**	166
Estimate revision on interest in the form of royalty	**68**	19
Interest on revolving credit facility	**149**	-
Interest on advance from shareholder	**17**	-
Lease interest	**42**	37
Bank and other interest	**70**	-
Bank charges	**7**	12
Foreign exchange gain	**(1,166)**	(700)
Interest income	**(29)**	(77)
	2,618	2,483

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

23. Other Income

	Three months ended January 31,	
	2024	2023
Sale of material associated to asset transfer	**388**	-
Gain on disposal of intangible assets	**221**	-
	609	-

24. Related Party Transactions

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

	Three months ended January 31,	
	2024	2023
Key management salary and benefits	**455**	722
Directors and employee stock option compensation	**194**	519
Consulting fees paid to a company controlled by an officer	**69**	75
Interest on convertible debentures owed to key management, officers and directors	**8**	8
Interest on convertible debentures owed to 100079 Canada Inc., a shareholder of the Corporation	**46**	46
Service income	**4**	-
Interest on advance from a shareholder	**17**	-

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

	January 31, 2024	October 31, 2023
Amounts owed to key management, officers and directors		
Expenses incurred in the normal course of business	**-**	1
Convertible debentures	**248**	244
Accrued interest on convertible debentures	**9**	9
Amounts owed to 100079 Canada Inc., a shareholder of the Corporation		
Convertible debentures	**1,440**	1,416
Accrued interest on convertible debentures	**52**	52
Advance from a shareholder	**580**	580
Accrued interest on advance from a shareholder	**29**	12
Amounts owed from ChitogenX Inc., a corporation with common shareholders		
Service income	**100**	96
Amounts owed from a shareholder		
Advance to a shareholder	**92**	49

25. Financial Instruments

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

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

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

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

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

25. Financial Instruments – *cont'd*

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

26. Financial Risk Factors

(a) Market risk

(i) Currency risk

The Corporation is exposed to financial risks that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation has an investment in a U.S. subsidiary, however this subsidiary is currently not active. The Corporation does not hold financial derivatives to manage the fluctuation of these risks, however USD denominated assets provide protection against fluctuations in USD denominated liabilities. As at January 31, 2024, a 5% increase/decrease in the USD/CAD exchange rates would have a $1,847 (2023 - $1,747) 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:

	January 31, 2024		October 31, 2023	
As at	**USD currency**	**CAD equivalent**	USD currency	CAD equivalent
Cash	**5,181**	**6,941**	5,027	6,974
Trade and other receivables	**-**	**-**	430	597
Revolving credit facility	**1,274**	**1,709**	1,500	2,081
Accounts payable and accrued liabilities	**2,089**	**2,800**	1,317	1,827
Long-term debt	**28,369**	**38,007**	27,823	38,603

(ii) Cash flow and fair value interest rate risk

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

(b) Credit Risk

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

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

As at January 31, 2024, 95% (2023 – 92%) of trade accounts receivables were current and three customers accounted for 87% (2023 – 77%) of the trade receivables. The Corporation believes that there is no unusual exposure associated with the collection of these receivables.

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

26. Financial Risk Factors – *cont'd*

(c) Liquidity risk

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

As at January 31, 2024	**Less than 30 days**	**30 days to 3 months**	**3 months to 12 months**	**More than 12 months**	**Total**
Revolving credit facility	**3,513**	**-**	**-**	**-**	**3,513**
Accounts payable, accrued liabilities, and provisions	**11,092**	**205**	**7,317**	**-**	**18,614**
Lease liability	**20**	**40**	**166**	**2,296**	**2,522**
Convertible debentures, including interest	**300**	**750**	**28,300**	**-**	**29,350**
Advance from a shareholder, including interest	**-**	**-**	**-**	**609**	**609**
Long-term debt, including interest and exit fees	**1,550**	**1,561**	**6,654**	**55,228**	**64,993**
	16,475	**2,556**	**42,437**	**58,133**	**119,601**

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

(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 January 31, 2024, the Corporation is not subject to any externally imposed capital requirements.

27. Commitments

(i) Lease obligation

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

The yearly contractual undiscounted lease obligation payments are as follows:

	$
2024	154
2025	206
2026	206
2027	206
2028	206
2029-2034	1,481
Total	**2,459**

27. Commitments – ***cont'd***

(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 January 31, 2024, management estimates the likelihood of paying such milestones to be remote.

Royalty and profit sharing (note 18):

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

28. Subsequent events

On February 13, 2024, the Corporation announced the appointment Messrs. Robert Raich and Charles Bisaillon to the Company's Board of Directors and that Messrs. Michel Trudeau, Stuart Fowler, Didier Leconte and Ms. Tamara Close have all resigned from its Board of Directors.

On February 2, 2024, the Corporation entered into an amendment of its 7-year Commercialization and Supply Agreement of XIIDRA® and SIMBRINZA®. As per the Amendment, Valeo will continue to distribute XIIDRA® for the entire transition period. The transition period is expected to continue until approximately Q3-2024. Valeo will continue to commercialize and promote SIMBRINZA® on an exclusive basis as provided by the Commercial and Supply Agreement with Novartis. Within 60 days from the Effective Date of Termination, Valeo will be entitled to a reimbursement of a residual portion of the upfront fee paid by Valeo at the time it entered into the Commercialization and Supply Agreement. The amount to be received as Reimbursement, when received, will be used for partial repayment of the Secured Term Loan (the "Facility'') entered into between Valeo and Sagard Healthcare Royalty Partners, LP ("Sagard") in July 2022.

On February 2, 2024, the Corporation also entered into an agreement with Sagard to provide, among other things, for accelerated debt repayment of the Facility. Under the Sagard Amendment, Valeo will be required to make a first repayment of $10,000 by August 31, 2024 and will also have the option to make an additional repayment of US$5,000 under the Facility, which amount is currently held in a restricted cash account.

On February 23, 2024, the Corporation entered into an agreement to assign the rights to a non-core asset for gross proceeds consideration of $1,500 to be materialized in Q2-2024.