LSL PHARMA GROUP INC.

Management's Discussion and Analysis

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Second Quarter ended
June 30, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following document is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of LSL Pharma Group Inc. ("LSL Pharma" or the "Corporation") for the six-month periods ended June 30, 2026 and 2025 and should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the fiscal quarter ended on June 30, 2026, which have been prepared in accordance with *IFRS Accounting Standards ("IFRS")*. All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share, units and per share amounts. All other currencies are in the thousand, unless otherwise stated. This MD&A was prepared by management from information available as at August 24, 2026. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at www.sedarplus.ca.

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 in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The definition and reconciliation of Adjusted Gross Profit, EBITDA and Adjusted EBITDA used and presented by the Corporation to the most directly comparable IFRS measures are detailed below:

Non-IFRS Measures	Definition
Adjusted Gross Profit	is defined as Gross Profit from product sales less amortization charges relating to intangible assets and depreciation charges relating to property, plant and equipment, as well as special provisions or non-recurrent items outside of the normal course of business. Management believes that adjusted Gross Profit better reflects the impact of gross profit contribution on cash flow.
EBITDA	is defined as net income or loss adjusted for income taxes, depreciation of property, plant and equipment, amortization of intangible assets, interest on short-term and long-term debt, and other financing costs such as foreign exchange gains or losses, interest income and other. Management uses EBITDA to assess the Corporation's operating performance.
Adjusted EBITDA	is defined as EBITDA less non-recurring gains or expenses such as gains on business acquisitions, special provisions and expenses outside of the normal course of business, special recruitment and severance costs, stock-based compensation, costs of issuing warrants or options, moving/relocation expenses. We use Adjusted EBITDA as a key indicator to assess the performance of our business when comparing results to budgets, forecasts and prior years. Management believes that Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, as it eliminates cash flow fluctuations caused by unusual changes in working capital.

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

Use of Judgments and Estimates

The preparation of the unaudited 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 judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4 of the Corporation's 2025 audited 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			
COGS	Cost of Goods Sold (or Cost of Sales)	Q4-24	Fourth quarter FY-24
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization	Q3-24	Third quarter FY-24
		QoQ	Quarter over quarter
(A) Gross Profit	Adjusted Gross Profit	RoUA	Right-of-Use-Asset, defined at the economic benefit of a leased asset, over the lease term
(A) EBITDA	Adjusted EBITDA		
FY	Fiscal year	SBC	Share-Based Compensation
GP	Gross Profit	SG&A	Sales, General and Administrative
LTD	Long-term debt	YE	Year-end
Q2-26	Second quarter FY-26	YTD	Year to date
Q1-26	First quarter FY-26	YoY	Year-over-year results, defined as Current FY results vs last FY results
Q4-25	Fourth quarter FY-25		
Q3-25	Third quarter FY-25	W/C	Working Capital, defined as short-term assets less short-term liabilities
Q2-25	Second quarter FY-25		
Q1-25	First quarter FY-25		

Corporate & Operations			
CMO	Contract Manufacturing Organization	LSL MED+	LSL MedPLUS Inc., our private label subsidiary (previously named Juno OTC inc.)
Dermolab	Dermolab Pharma Ltd.		
Du-Var	Laboratoire Du-Var Inc.	OTC	Over-the-counter (non-prescription drugs)
FDA	United States Food and Drug Administration	Steri-Med	Steri-Med Pharma Inc.
HC	Health Canada	TSXV	Toronto Venture Stock Exchange
HO	Head Office	VSI	Virage Santé Inc.
LSL Labs	LSL Laboratory Inc.		

SEGMENT REPORTING

LSL Pharma is an integrated Canadian pharmaceutical company. As of the date of this document, the Corporation has three reportable segments. This reflects our management structure and the way key strategic, operating, and commercial decisions are made.

1) <u>Business segment #1 - CMO activities</u>

LSL Pharma's first reportable segment represents its contract manufacturing operations ("CMO") which currently includes four (4) operating entities, namely:

a. LSL Laboratory, manufacturer of natural health products in solid dosage forms, mainly for third-party pharmaceutical clients, as well as a wide list of private labelled products;
b. Dermolab, acquired on December 1, 2024, manufactures liquid and semi-solid pharmaceutical, natural health and cosmetic products;

c. Du-Var, acquired on November 17, 2025, manufactures liquid and semi-solid natural health and cosmetic products; and
d. VSI acquired in June 2024, manufactures a range of natural products in liquid, powder, as well as in capsule forms, some of which are sold under its own brands or as private labels.

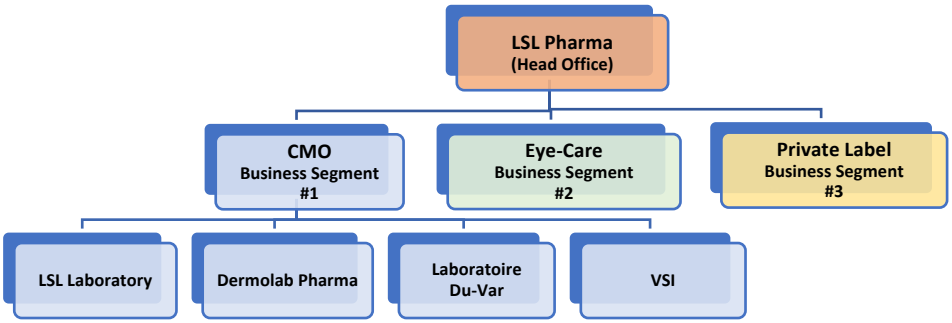
2) Business segment #2 – Integrated Eye-care pharmaceutical company

The Corporation's second business segment includes the operations of Steri-Med, our sterile Eye-care manufacturing operation. Steri-Med specializes in the in-licensing and development/manufacturing and commercialization of high-quality sterile ophthalmic pharmaceuticals for the Canadian, US and foreign markets.

3) Business segment #3 – Private Label Business

The Corporation's third business segment includes LSL Med+, (previously named Juno OTC), acquired on January 1, 2026. LSL Med+ commercializes pharmaceutical and natural health products with a focus on private label over the counter (OTC) products. LSL Med+ is well established across all major Canadian retail pharmacies and currently commercializes over 40 OTC products across various indications.

Corporate Structure



HO functions are supporting the operating entities of our three (3) business segments, by providing services such as finance, accounting, HR, supply chain management, legal, IT, regulatory, quality assurance oversight, pharmaco-vigilance etc. HO also handles other corporate activities such as investors relation, communication, marketing, banner and wholesaler management. Going forward, the Corporation intends to scale up its CMO activities and generate economies of scale by increasing the leverage of HO services and by incorporating other operating/manufacturing sites. As of the date of this document, the Corporation had 224 employees, down from the 252 staff level at the end of June 2026. This recent 9% reduction in headcount is consistent with the plan to seek synergies between sites, rationalize and optimize operations following the various acquisitions made over the last 2 years. This is also consistent with our goal to achieve profitability by year-end 2026.

Corporate strategy and future development

We are pursuing a two-pronged growth strategy. Firstly, we are expanding our CMO activities by adding capacity and complementary services to better support our expanding customer base. We intend to achieve this organically or through acquisitions. Secondly, we are developing a growing and highly profitable eye-care product portfolio. To achieve this objective, we are developing proprietary high-margin products as well as acquiring commercial rights of differentiated products for the Canadian. By diversifying our product pipeline and securing rights to innovative products we are strengthening relationships with Canadian retail banners to maximize our commercial performance. In addition, the recent acquisition of our private-label subsidiary, LSL Med+, significantly expands our commercial reach with major Canadian retailers and enhances our ability to develop and distribute consumer healthcare products across multiple categories

- Steri-Med takes advantage of its unique sterile manufacturing capabilities for developing and commercializing ophthalmic products. One of Steri-Med's greatest opportunity is to establish itself as a leader in the development,

manufacturing and commercialization of "*first-to-market"* ophthalmic generic products for the Canadian, US and foreign markets.

- LSL Med+'s strong presence across all major Canadian retail pharmacies will play an important role in facilitating and accelerating the commercialization of LSL Pharma's other products to be launched over the coming years, including its eye-drops and first to market generic ointments, from the Eye-care business segment.

SEGMENT 1 - CMO OPERATIONS

LSL Laboratory
Established in La Pocatière, Quebec in 1997, LSL Laboratory relocated its activities into a 22,000 sq. ft. plant during FY-23. Growth over the coming years will be achieved by taking advantage of the additional capacity (3 times larger than the prior site), and expanded capabilities, by growing its private label activities and by leveraging relationships with existing/new customers.

VSI
Effective June 1, 2024, the Corporation acquired 100% of the controlling interest of VSI. VSI operates an 8,250 sq.ft. plant in Levis, Quebec and manufactures a range of natural products in liquid, powder, sachets, as well as in capsule forms for its clients or sold under its own brand or private labels. LSL Pharma acquired VSI for $2,369. The excess of the fair value of net assets acquired over consideration paid resulted in a recognition of $157 of Goodwill.

Dermolab
Effective December 1, 2024, LSL Pharma expanded its CMO activities by acquiring Dermolab, a CMO based in Ste-Julie, Québec (located 15 km from the LSL Pharma Head Office). Founded in 1985, Dermolab is a leading manufacturer of liquid and semi-solid products for the pharmaceutical and cosmetic markets. The total consideration for the transaction was $4.15 million. LSL Pharma realized a gain of $4,864 on acquiring Dermolab.

Du-Var
Effective November 17, 2025, LSL Pharma acquired Laboratoire Du-Var, a CMO based in Boucherville, Québec (located 5 km from the Corporation's Head Office). Founded in 1947, Du-Var manufactures liquid and semi-solid products for the natural health and cosmetic market. Du-Var is very complementary to Dermolab. Both companies are located 10 km apart, serve the same market, and offer similar manufacturing services. By combining their manufacturing and R&D expertise, we intend to optimize their respective operations and deliver significant operational and financial synergies. The total consideration for the transaction included (i) assuming Du-Var's operating line of credit, term loan and capital leases totaling $2.7 million, (ii) nil cash payment, nor post-closing adjustment. The operating line has since been repaid.

We realized a gain of $2.4 million on the Du-Var acquisition which added over $15M of manufacturing capacity to the CMO segment. The integration of Du-Var is currently well underway and already providing synergies and benefits to the Group.

M&A Criteria for expanding the CMO activities

LSL Pharma is looking to expand its CMO activities with the addition of companies whose profile matches its vision and growth strategy.

Some of the criteria to be used for evaluating business opportunities ("targets") are:
1) *Financially accretive* – The Corporation is looking for targets that can immediately contribute to its profitability;
2) *Provide scale and synergies* – Targets must add scale and offer opportunities to leverage HO operations;
3) *Expansion/strengthening of client relationships* - By adding scale and product offering, LSL Pharma intends to consolidate its relationships with clients, as well as expand its customer base;
4) *Geographic expansion* – Due to logistic/supply preferences, the Corporation's current CMO footprint mainly serves clients located in the province of Québec. Expanding our footprint outside of Quebec would offer opportunities to broaden our client base.

SEGMENT 2 - EYE-CARE SEGMENT- STERI-MED Pharma

Steri-Med intends to position itself as a leader in the development and commercialization of ophthalmic products. It intends to accomplish this goal by leveraging its unique sterile manufacturing capabilities. The Corporation is focussing on expanding and leveraging its capacity for the development and manufacturing of ophthalmic ointment products. Over-time it intends to invest into eye-drops manufacturing capabilities. Until "eye-drop" manufacturing is available at the Steri-Med plant, the Corporation intends to in-licence eye-drop products for commercialization in Canada.

Sterile Ophthalmic Ointment Manufacturing Operations - Steri-Med Pharma

Our growth strategy at Steri-Med relies on 3 main aspects

A. ***Regulatory Compliance*** *to maximize the total addressable market ("TAM")*
B. ***Production Capacity*** *to capture market opportunities*
C. *Develop "first to market" generic* ***Products*** *targeting existing "off patent" branded markets*

Regulatory Compliance

One of the most important value drivers for the Eye-Care segment is the compliance of the Steri-Med site for sterile ointment manufacturing. Compliance to local regulatory standards is a requirement for commercializing products in each territorial jurisdiction. Manufacturing plants must adhere to strict guidelines outlined by Health Canada, a Standing Regulatory Member of the International Council for Harmonization ("ICH") for ensuring the efficacy and safety of aseptic processes in sterile pharmaceutical facilities. Aseptic processing is critical in pharmaceutical sterile manufacturing to prevent contamination and ensure product sterility. Health Canada and ICH provide a comprehensive framework for the validation of aseptic processes, encompassing facility design, equipment qualification, process validation, and ongoing monitoring. Aseptic validation is a systematic process that ensures sterile products are consistently manufactured under controlled conditions.

Since 2019, Steri-Med holds a manufacturing licence from Health Canada, and has recently been inspected by the FDA to manufacture sterile ointments for the US market. (See "Product pipeline - Avaclyr" below)

Health Canada certification allows for commercialization in Canada. Canada has established a Mutual Recognition Agreements (MRAs) with several foreign countries such as European countries, covering drug/medicinal products Good Manufacturing Practices (GMP) Compliance Programs. Consequently, Health Canada and its MRA partners mutually recognize each other's regulation and inspection records. As a consequence of the MRAs, products manufactured by Steri-Med can be registered and sold to several foreign territories without further inspection. Due to the scarcity of high quality sterile ophthalmic ointment manufacturers worldwide, international demand for our products has been increasing.

Over the recent years, regulatory guidelines for sterile manufacturing have become increasingly stringent, and regulators have increased requirements prior to granting "compliance" status. Many manufacturing sites in Canada, the US, and other countries have ceased to operate, due to their inability to meet or adapt to these increasing standards.

During the last quarter of FY-25, Steri-Med underwent its biennial Health Canada inspection and was required to implement enhanced operational and administrative procedures to maintain and further strengthen its compliance status. During Q1-26, the site was allowed to continue non-filling activities but had to postpone filling activities for a 3-month period (Jan to March 2026) in order to develop the corrective and preventive action plan requested by HC (the "Plan"). Consequently, no filling activity took place at the Steri-Med plant during the first quarter of 2026. The production halt had no impact on sales activity and revenues as our inventory levels for each commercial products were increased in anticipation of the Health Canada inspection. The financial impact of the Q1-26 production halt has been addressed in our Q1-26 financial reporting.

On April 2, 2026, the Plan submitted by Steri-Med was accepted by Health Canada and production resumed at that time. The site can continue all manufacturing activities in parallel with the Plan being executed over the coming quarters. Implementation of this Plan is well advanced, and the Corporation does not anticipate any issues in completing the Plan within the agreed timelines.

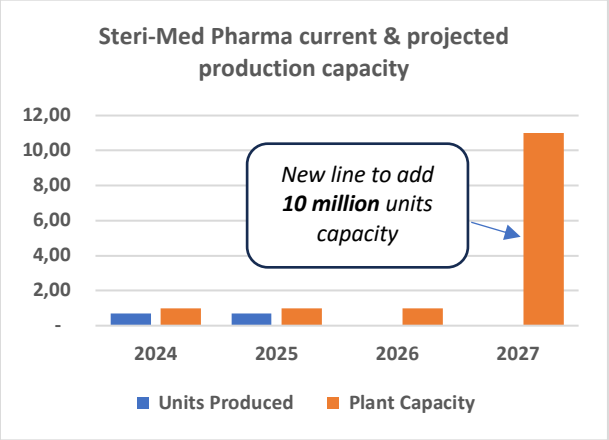
Despite having resumed production in Q2-26, the site production activities have been hampered by the HC remediation Plan initiatives. Our Q2-26 results have been impacted by production slow-down and adjustments to gross profit and EBITDA have been made to reflect this impact.

Steri-Med's ability to renew its HC license and to secure FDA compliance is a great asset for the Corporation as more and more companies are turning to LSL Pharma for their manufacturing requirements. With sterile ointment CMO alternatives becoming more and more scarce, and with barriers to enter the market increasing, the Corporation is well positioned to capitalize on global market opportunities.

Production Capacity – Capturing the market opportunity

Historically, our production capacity has restricted our ability to sell our products outside Canada and also impacted the manufacturing cost per unit – since the manufacturing plant's operating costs could only be amortized over a limited number of production units.

During FY-25 Steri-Med acquired a new US$1.7 million sterile ointment manufacturing line which is currently being commissioned and expected to be operational early FY-27. Once fully operational, production capacity will increase 10-fold, thus providing more flexibility to accelerate the development and manufacture of new products for local and international markets and enabling us to bid on large international contracts.



The graph above presents the current and projected production capacity (in standard units) assuming the 2nd line is commissioned early 2027, providing significant extra capacity to address the production requirements for our current pipeline, as well as new products under development. The excess capacity will be made available for 3rd party manufacturing ("CMO") or to meet international tenders.

Product Pipeline

As mentioned above, one of the growth drivers for the Corporation is the ability to leverage the unique manufacturing capabilities of Steri-Med to develop a pipeline of eye-care products for sale in Canada, the United States and abroad. Steri-Med will focus initially on jurisdictions accepting the Canadian label of its products, but over time, intends to apply for marketing rights for its current and new products in the US and abroad, directly or with commercial partners.

Our commercial pipeline is described below:

Sterisporin *(Polymyxin B sulfate - bacitracin zinc)*, a combination of antibiotics used to treat certain types of infections caused by bacteria. The eye ointment is used to treat some types of eye infections such as conjunctivitis.

Format Type	3.5-gram eye ointment (*Generic*)
Commercial / Distribution	Retail distribution across all provinces in Canada. Product is offered by all major retail banners
Reimbursement	Not listed for public reimbursement. No private coverage.
Market environment	100% market share in Canada, innovator exited the market in 2017
Market Size	$5 million[1]

1. IQVIA Data - 2025

Erythromycin. Treats bacterial infections of the eyes, including treatment to the newborns.

Format Type	1 gram, and 3.5-gram eye ointment (*Generic*)
Commercial / Distribution	Hospital/ retail distribution across all provinces in Canada. Product is offered by all major retail banners
Reimbursement	Listed for public reimbursement in Qc, Manitoba, BC, and NB. Covered by most insurance companies.
Market environment	2 players in Canada – the Corporation enjoys a 100% market share for the 1 gram (hospital) product, and 80% for the 3.5 gram (retail) product.
Market Size	Canada - $8.6 Million[1]
US Market and other countries	Canadian products are accepted in other jurisdictions, including USA when shortages occur. During the second half of FY-23, and early 2024, LSL Pharma supplied 500,000+ units to the US market. The Corporation is also suppling products to foreign clients which are representing a growing % of its revenues.

1. IQVIA Data - 2025

US Commercialization / FDA accreditation

In January 2026, Steri-Med secured its FDA accreditation. Approval by the FDA to manufacture products for the US market will enable Steri-Med to take advantage of the lucrative US market for ophthalmic products. Increased production will serve to support new Steri-Med products (to be developed and commercialized by Steri-Med directly or with partners), as well as the production under contract of our clients/partners' drugs.

Avaclyr (acyclovir ophthalmic ointment)
In December 2025, The US FDA granted Fera Pharmaceuticals LLC. ("Fera") marketing approval for Avaclyr. Avaclyr is indicated for the treatment of acute herpetic keratitis (dendritic ulcers) with Steri-Med as its GMP manufacturing site. Steri-Med will manufacture Avaclyr under contract. The US approval for Avaclyr designates Steri-Med as a compliant site for manufacturing other products for US commercialization. The certification follows a successful FDA inspection of Steri-Med's facility, confirming full compliance with current Good Manufacturing Practices (cGMP). The Corporation believes this regulatory milestone represents a significant value creation event for the Corporation as it significantly strengthens its competitive positioning, enhances future revenue diversification, and establishes a clear pathway for sustainable growth and long-term value creation for shareholders.

Following the US approval for Avaclyr, discussions are accelerating with other potential partners regarding the co-development/commercialization of other products currently under development for the US market. By securing access to the US market for first-to-market generic ointments, the total addressable market ("TAM") opportunity for Steri-Med's products pipeline is now estimated at $1.5 billion. (Source: IQVIA 2025)

Development pipeline

In order to leverage its expanding capacity as well as the US approval of its manufacturing site, Steri-Med is now accelerating the development of *first-to-market* generic ophthalmic products. The rationale for developing a pipeline of generic ophthalmic products is described below:

- >60 off-patent ointments/eye drops products currently face NO/limited generic competition in Canada, US and other major markets;
- Innovators enjoy maximum pricing, and lack of competition due to challenges related to the Development / Manufacturing of these products;
- Steri-Med has the expertise and capabilities to develop a pipeline of drugs for these lucrative markets by leveraging its partnership with Fera or other foreign partners.
- Global manufacturing capabilities for sterile eye-care products (ointments / drops) is very limited.
- First-to market ophthalmic generic products enjoy the benefit of :
    - lower development costs and regulatory risk;
    - shorter development timelines vs innovative drugs (less than 5 years from project start to peak sales);
    - limited price erosion vs innovator at launch;
    - rapid market share gains at launch due to price advantage and established market;
    - limited commercial/marketing expenses and shorter time to peak sales.

The development pipeline is presented below with the next development milestones and timelines for completion. 3 new projects have been added so far in FY-26 for planned commercialization in both Canada and USA, with regulatory filings expected to take place during FY-27.

R&D Pipeline

Products / Projects	Type	Market	Status / Timelines for Completion: Development / R&D	Regulatory Filing	Approval	Market

Aggregate market size for the products under development are estimated in excess of $250 Million (IQVIA Data). Assuming the successful development and regulatory approval of its product pipeline, revenues from the sales of these products will have a material impact on the Corporation's revenues going forward.

In-Licensing and commercialization of Eye-drop products.

To date, the Corporation has secured commercial rights to 16 sterile eye drops for the prescription market in Canada. These products will significantly enhance the Eye-care portfolio of Steri-Med Pharma. The commercialization of these new products remains subject to satisfactory due diligence by the Corporation and to regulatory approvals.

Health Canada has already granted marketing approval for seven (7) products, and 4 (four) of them have been launched successfully earlier this year. Other regulatory filings will take place over the coming 12 months, with approval to follow. These initiatives fit with Steri-Med's overall strategy to establish itself as a Canadian leader in the manufacturing and commercialization of sterile ophthalmic products.

The table below presents the current portfolio of eye-drops under license including the expected approval and launch date for the products not yet on the market.

In-Licensing Pipeline

Products	Type	Market	Status / Timelines for Completion				
			Agreement signed	Due diligence	Filling	Approval	Market
			*** APPROVED				
			*** APPROVED				
			*** APPROVED				

Together, these products target aggregate market size of more than $160 million in Canada, according to IQVIA Canada. Four of the new products would be exclusive to LSL Pharma for the Canadian market and currently have no generic equivalent on the market. The commercialization of new products remains subject to satisfactory due diligence by the Corporation and to HC approval.

Commercial launch of Dorzolamide, Dorzolamide-Timolol, and Brimonidine has taken place during Q2-26.

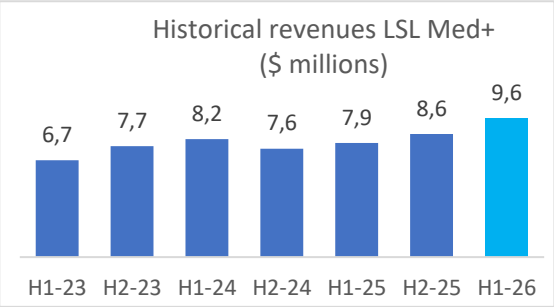
SEGMENT 3 – PRIVATE LABEL – LSL MedPlus Inc. (*Previously Juno OTC Inc., acquired on January 1, 2026*)

LSL Med+ (previously Juno OTC) is a leading supplier in the Canadian private label consumer healthcare OTC market providing key Canadian retailers with core product offerings under the retailers' own recognized private label brands and strategic new opportunities to build the mutual business. With a strong legacy in this market, LSL Med+ is recognized for providing the highest quality products along with a track record of partnership with these Canadian retailers to build their overall presence and success in consumer healthcare. LSL Med+ has all required Health Canada licenses for importing and distributing these products along with tremendous expertise in all areas of Regulatory and Quality Assurance that is required for the Canadian market. LSL Med+ adds a pipeline of innovative products to LSL Pharma, including over 40 Health Canada approved OTC drugs, natural health products and medical devices to the LSL Pharma business. With 10 new products expected to be launched over the next 12 months, LSL Med+ is rapidly increasing its presence in the pharmaceutical OTC market in Canada. Through this acquisition, LSL Pharma becomes a key supplier to ALL Canadian pharmacy banners, and its revenues will immediately benefit from the existing LSL Med+ business. The integration of LSL Med+ will enable the Corporation to expand its customer base by adding all leading pharmacy, grocery, mass market, and discount retailers participating in the growing Canadian Consumer Healthcare market. LSL Med+ also provides expanded

access to new contract manufacturers across a global network of key suppliers offering strategic and innovative product opportunities.

LSL Med+ revenues have been growing since inception due to new product launches, and broader retail pharmacy penetration. The company operates with a relatively fixed overhead, and its profitability will correlate its sales performance.

The graph on the right shows the semi-annual sales performance of LSL Med+ since FY-23. H1-26 sales results were up 21% over H1-25. We expect LSL Med+ to increase LSL Pharma's revenues by approximately $20M in 2026.



Key product categories for LSL Med+ include: antacid, laxatives, allergy, nicotine gum, pain relief, denture, diarrhea, eye drops, probiotics, feminine and personal Hygiene, cold/cough & flu, and epsom salts.

The geographic distribution of LSL Med+'s revenues for the last completed fiscal year, compared to Steri-Med is presented on the right. The table demonstrates the commercial synergies between the 2 organization and the rationale for LSL Pharma acquiring the Juno platform in anticipation of new pan-Canadian product launches.

	LSL Med+	*Steri-Med*
BC	*5,8%*	*7,2%*
Prairies	*23,9%*	*11,2%*
Ontario	*40,6%*	*21,0%*
Qc	*23,4%*	*54,3%*
Maritimes & others	*6,2%*	*6,3%*

Q2-26 Corporate Highlights

- **On April 1, 2026** LSL Pharma Group moved into a central warehouse (the "Warehouse"). The 54,981 s.f. warehouse will play a key role in the Corporation's strategy to lower global costs of storage, warehousing, third-party logistics contracts for its raw material, packaging components and finish goods/products. It is strategically located on the south shore of Montreal, withing a 30-minute drive from 3 of the Corporation manufacturing sites as well as the head office. The lease ends December 31, 2031, including an initial 6-months free period and is renewable for another 5 years. In the short-term, the Corporation expects to generate material synergies and savings by relocating warehousing and shipping activities from its various sites as well as external warehouses. In the mid-term, LSL Pharma intends to relocate certain production activities currently performed at various CMO sites.

  See "Selected balance sheet Highlights" for the IFRS balance impact of the lease (incorporating the renewable option).

- **On April 9, 2026,** LSL Pharma announced the signing of a binding term sheet with Instapill Private Limited ("Instapill") for the Canadian rights to private label Loratadine 10 mg Orally Disintegrating Tablets (ODT), a bioequivalent product to Claritin® Rapid Dissolve™ to Canadian retailers. The product is bioequivalent to Claritin RDT and positions LSL Pharma in the large, over the counter (OTC) allergy category. The Canadian OTC allergy category is estimated at $60 million and growing at 8% per year. This agreement builds on the momentum generated by LSL Med+'s initial collaboration with Instapill for Loperamide 2 mg RDT, equivalent to Imodium RDT, which is now widely distributed under private label across major Canadian retailers and delivering robust commercial performance.

- **On May 29, 2026**, LSL Pharma announced announce the signing of a multi-year supply agreement for the distribution of Erythromycin to hospitals located outside the Province of Québec. In addition, Sterisporin™, was listed by the two largest Canadian pharmacy chains outside Québec, significantly expanding the product's national retail presence. These new commercial agreements and retail listings are expected to generate more than $4 million in additional recurring annual revenues.

  The Corporation also announce the appointed of Alain R. Dugal, as Executive Vice-President & COO. M. Dugal will oversee the Corporation's manufacturing and operational activities across all facilities. He brings more than 35 years of leadership experience in regulated manufacturing environments, including pharmaceutical, sterile manufacturing, CDMO, nutraceutical and cosmetic industries.

- **On June 25, 2026**, the Eye-Care segment of Groupe LSL expanded its product portfolio with the commercial launch of three new eye-drops, Dorzolamide, Brimonidine, and Dorzolamide-Timolol. The Corporation is planning the commercial launch of thee (3) additional eye-drops before the end of FY-26, as well as at least seven (7) more in 2027.
- **On June 26, 2026**, Juno OTC Inc. changed its name for LSL MedPlus Inc. ("LSL Med+")

Subsequent Events to Q2-26

- **On July 6, 2026**, The Corporation granted an aggregate of 1,175,000 stock options to certain executives and employees, as part of their compensation. The options are exercisable at a price of $0,315 per common share, expire on July 3, 2036, and will vest in equal tranches on each of the first three anniversary dates of the grant.
- **On July 27, 2026** LSL Pharma secured a $1 million note from a non-related party. The note is unsecured, bears interest at 15% per annum and has a term of 1 year.

SELECTED FINANCIAL DATA

Selected financial data for the recent fiscal quarter are presented below, with revenues presented in three separate operating segments. The first reportable segment includes revenues from CMO operations. The second reportable segment includes revenues from the sale of Eye-care products. Eye-care product sales currently include ointments manufactured at our Steri-Med plant as well as eye-drops sourced from commercial partners under supply and license agreements. Sales of eye-drops has commenced during the second quarter of 2026. The third reporting segment presents Private Label revenues from our LSL Med+ subsidiary.

The following table and graphs present the financial information relating to the periods indicated and should be read in conjunction with our June 30, 2026, unaudited condensed consolidated financial statements. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

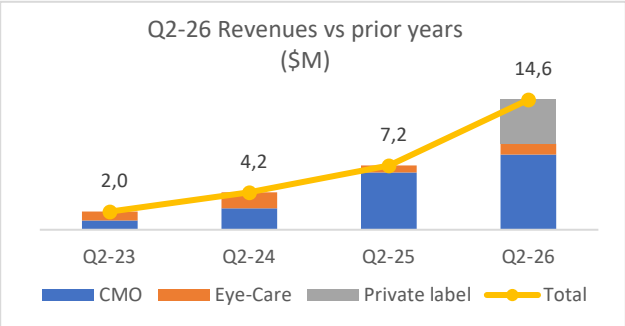
Financial Statements

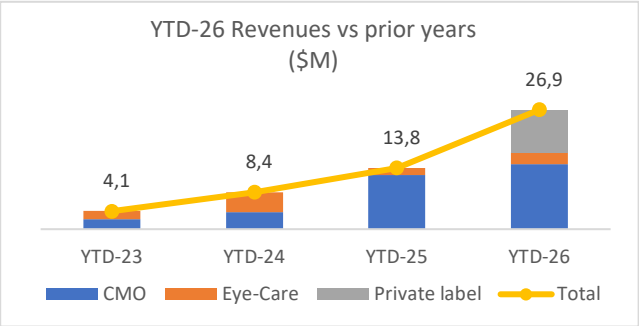
			Change				*Change*	
	Q2-26	**Q2-25**	*$*	*%*	**YTD-26**	**YTD-25**	*$*	*%*
Revenues								
CMO	**8 467**	6 463	2 004	*31%*	**14 620**	12 211	2 409	*20%*
Eye-care	**1 182**	755	427	*57%*	**2 682**	1 632	1 050	*64%*
Private label (LSL Med+)	**4 979**	-	4 979	*100%*	**9 626**	-	9 626	*100%*
Total Revenues	**14 628**	7 218	7 410	*103%*	**26 928**	13 843	13 085	*95%*
Gross Profit	**1 748**	2 061	(313)	*-15%*	**2 517**	4 167	(1 650)	*-40%*
Adjusted Gross Profit	**3 153**	2 368	785	*33%*	**6 009**	4 794	1 215	*25%*
Adj. Gross margin %	***21,6%***	*32,8%*	*-11,3%*	*-34%*	***22,3%***	*34,6%*	*-12,3%*	*-36%*
Expenses								
SG&A	**2 801**	1 721	1 080	*63%*	**5 391**	3 380	2 011	*59%*
SG&A as a % of revenues	***19%***	*24%*	*-5%*	*-20%*	***20%***	*24%*	*-4%*	*-18%*
Share-based Comp.	**49**	36	13	*36%*	**63**	50	13	*26%*
Financial Expenses	**1 140**	693	447	*65%*	**2 122**	1 281	841	*66%*
Net (Loss)	**(2 242)**	(389)	(1 853)	*476%*	**(5 059)**	(544)	(4 515)	*830%*
EBITDA (Loss) Profit	**(27)**	1 011	(1 038)	*-103%*	**(1 046)**	1 915	(2 961)	*-155%*
Adj. EBITDA Profit	**435**	719	(284)	*-39%*	**938**	1 521	(583)	*-38%*

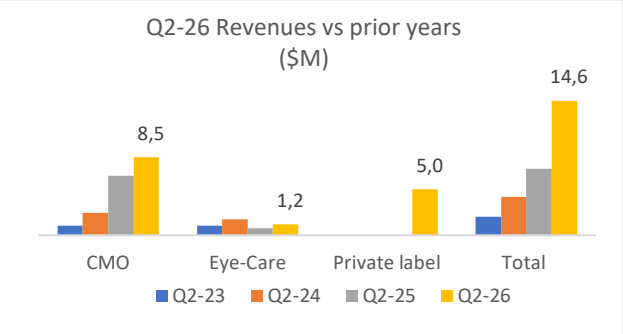
- The Corporation delivered record revenues in Q2-26 at $14.6 million, up 103% compared to Q2-25. The YoY increase results mainly from to the addition of Du-Var and LSL Med+ respectively acquired on November 17, 2025 and January 1, 2026. Our three segments delivered strong performance during the quarter including record quarterly revenues for each of our CMO and Private Label segments. Our CMO revenues increased by 31% at $8.5 million in Q2-26 compared to $6.5 million for Q2-25, as well as 38% increase compared to Q1-26. The Eye-care segment posted strong revenues at $1.2 million for Q2-26, up 57% compared to Q2-25. Eye-care segment was down compared to Q1-26 which experienced a significant recovery from the prior quarters due to stocking patterns of our large banner clients.

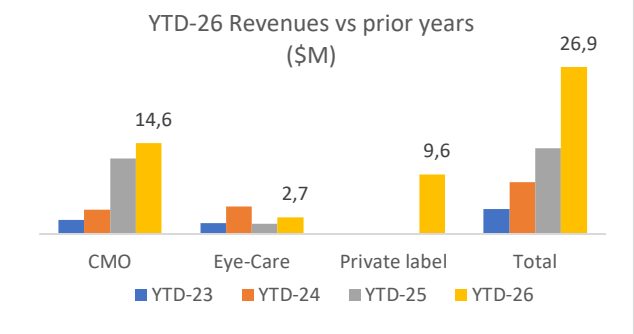
Finally, the Private label segment contributed $5.0 million compared to nil last year. Q2-26 was a record quarter for LSL Med+, 7% over Q1-26. Revenues for LSL Med+ are growing sequentially due to new product launches as well as expansion of banner sales. With new product launches taking place at LSL Med+ and in our Eye-care segment, we are projecting quarterly revenues to continue trending upwards for both segments over the coming years.

For the YTD periods, the Corporation delivered revenues of $26.9M million in 2026, up 95% compared to YTD-25. Same as for the quarterly results, the CMO and the Private label revenues were impacted by the addition of Du-Var and LSL Med+. Also, YTD revenues for our Eye-care segment increased 64% over the prior year due to a strong increase in domestic sales led by market share gains for our Erythromycin products as well as increased retail demand for Sterisporin.









- **Adjusted Gross Profit** for Q2-26 after eliminating the impact of depreciation and amortization as well as special and non-recurrent adjustments, stood at $3.2 million, a 33% increase over Q2-25. Adjusted Gross Profit in Q2-26 was up as a result of the addition of LSL Med+ and Du-Var but also included the positive impact of the Eye-care segment performance. Adjusted Gross Profit as a % of revenues decreased from 33% to 22% between the 2 periods, due to the change in revenue mix. LSL Med+ private label revenues which represented 34% of the Group's total revenues for the quarter are providing lower margins.

  Our Gross Profit performance in Q2-26 was impacted by production slow down at the Steri-Med plant (See "Regulatory Compliance – Segment Reporting Section") as the site is still actively addressing requirements for its re-certification with Health Canada. Operating costs are typically allocated to inventory representing the cost of manufacturing of all units produced during the period. However, the plant produced less units than anticipated during Q2-26 due to ongoing compliance initiatives. This led to a special adjustment to our Q2-26 Adjusted Gross Profit representing the plant operating costs not allocated to inventory.

  Our YTD-26 adjusted gross profit was $6.0 million, up 25% over last year. The increase in adjusted Gross profit was due to the addition of Du-Var and LSL Med+ as well as the Eye-care YoY performance.

- **SG&A** expenses for Q2-26 were $2.8 million compared to $1.7 million in Q2-25, a 63% increase, mainly reflecting the impact of the addition of Du-Var and LSL Med+, but also professional fees (audit and tax) as well as the addition of amortization of the RoUA for our new central warehouse 10-yr lease signed in April 2026. We still expect SG&A to reduce over time as we generate synergies from our acquisitions. Despite the increase in SG&A expenses, the ratio of SG&A expenses to revenues has improved significantly from 24% to 19% between the 2 periods.

  For the YTD periods, the SG&A expenses in 2026 have increased 59% over YTD-25, but 4% lower in terms of the ratio of expenses to total revenues. 77% of the increase in YTD-26 SG&A expenses comes from the impact of acquisitions,

with the rest coming from an increase in amortisation of RoUA (9%), costs incurred for integrating acquisitions (7%), and others (7%).

- **Financial Expenses** for Q2-26 were 65% higher than Q2-25 at $1.1 million compared to $0.7 million. For the YTD periods, financial expenses increased from $1.3 million for YTD-25 to $2.1 million in 2026. The increase in financial expenses between the quarterly and YTD periods was mainly due to the impact of the $12 million convertible debt offering closed in December 2025, that served to fund operations and the LSL Med+ acquisition, as well as a greater us of the operating line.
- **Net Loss** in Q2-26 was $2.2 million compared to $0.4 million in Q2-25. For the YTD periods, Net loss increased from $0.5 million for YTD-25 to $5.1 million in 2026. The net loss performance for the 2026 periods resulted mainly from the increase in SG&A, financial expenses, but also due to the production halt/slow down at Steri-Med. Production at Steri-Med should be back to normal by the end of Q3-26, leading to stronger quarterly performance for the Group going forward. Also, production levels at Steri-Med are expected to increase significantly over the next 12 months due to the addition of the second manufacturing line.
- **EBITDA** for Q2-26, after eliminating the impact of financial expenses, depreciation and amortization was a nominal loss of $27, compared to a gain of $1.0 million in Q2-25. EBITDA for YTD-26, was a loss of $1.0 million, compared to a gain of $1.9 million in Q2-25. Same as for the net loss performance, the EBITDA results were impacted by the production halt/slowdown at Steri-Med and the increase in SG&A.
- **Adjusted (A) EBITDA.** After eliminating, share-based compensation, M&A restructuring charges, and the special/non-recurrent gross profit adjustments, LSL Pharma generated an (A) EBITDA profit of $0.4 million for Q2-26 compared to an (A) EBITDA profit of $0.7 million for Q2-25. For YTD-26, LSL Pharma generated an (A) EBITDA profit of $0.9 million for Q2-26 compared to an (A) EBITDA profit of $1.5 million for YTD-25. The reduction in (A) EBITDA was due to incremental SG&A expenses not fully offset by the increase in gross profit.

We present below a reconciliation of the GP to Adjusted GP, and EBITDA to Adjusted EBITDA for Q2-26 compared to the prior year period:

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

ADJUSTED GROSS PROFIT RECONCILIATION

			Change				*Change*	
	Q2-26	Q2-25	*$*	*%*	**YTD-26**	YTD-25	*$*	*%*
Revenues	**14 628**	7 218	*7 410*	*103%*	**26 928**	13 843	*13 085*	*95%*
Gross Profit	**1 748**	2 061	*(313)*	*-15%*	**2 517**	4 167	*(1 650)*	*-40%*
Gross margin %	***11,9%***	*28,6%*	*-17%*		***9,3%***	*30,1%*	*-21%*	
Adjustments (+/-)								
Depreciation and amortization	**1 006**	635	*371*	*58%*	**1 738**	1 071	*667*	*62%*
Health Canada compliance shutdown	**399**	-	*399*	*0%*	**1 754**	-	*1 754*	*0%*
reclass Q1-Q3/25 related COGS	**-**	(328)	*328*	*-100%*	**-**	(444)	*444*	*-100%*
Total Adjustments	**1 405**	307	1 098	*358%*	**3 492**	627	2 865	*457%*
Adjusted Gross Profit	**3 153**	2 368	*785*	*33%*	**6 009**	4 794	*1 215*	*25%*
Adjusted Gross margin %	***21,6%***	*32,8%*	*-11%*		***22,3%***	*34,6%*	*-12%*	

ADJUSTED EBITDA RECONCILIATION

			Change				Change	
	Q2-26	Q2-25	*$*	*%*	**YTD-26**	YTD-25	*$*	*%*
Net Loss	**(2 242)**	(389)	*(1 853)*	*476%*	**(5 059)**	(544)	*(4 515)*	*830%*
Depreciation and amortization	**1 075**	707	*368*	*52%*	**1 891**	1 178	*713*	*61%*
Finance expense, net	**1 140**	693	*447*	*65%*	**2 122**	1 281	*841*	*66%*
EBITDA (loss)	**(27)**	1 011	*(1 038)*	*-103%*	**(1 046)**	1 915	*(2 961)*	*-155%*
as % of revenues	***-0,2%***	*14,0%*	*-14%*	*-101%*	***-3,9%***	*13,8%*	*-18%*	*-128%*
Adjustments (+/-)								
Non-recurrent GM Adjust. (see above)	**399**	(328)	*727*	*-222%*	**1 754**	(444)	*2 198*	*-495%*
Aquisition costs/M&A restructuring	**14**	-	*14*	*0%*	**167**	-	*167*	*0%*
Stock-based compensation	**49**	36	*13*	*36%*	**63**	50	*13*	*26%*
Adjusted EBITDA	**435**	719	*(284)*	*-39%*	**938**	1 521	*(583)*	*-38%*
as % of revenues	***3,0%***	*10,0%*	*-7%*	*-70%*	***3,5%***	*11,0%*	*-8%*	

SELECTED BALANCE SHEET HIGHLIGHTS

			Change	
As at the end of the period:	**Q2-26**	**YE-25**	*$*	*%*
Current assets	**27 417**	24 103	*3 314*	*14%*
Fixed Assets	**25 548**	25 793	*(245)*	*-1%*
RoU Assets	**11 886**	6 972	*4 914*	*70%*
Intangible Assets	**19 359**	17 473	*1 886*	*11%*
Goodwill	**2 517**	157	*2 360*	*1503%*
Total assets	**87 074**	74 741	*12 333*	*17%*
Operating loans	**10 020**	2 525	*7 495*	*297%*
Current liabilities	**23 736**	10 312	*13 424*	*130%*
Long-term debt & notes	**25 921**	26 558	*(637)*	*- 2%*
Lease liability	**12 249**	7 707	*4 542*	*59%*
Total Liabilities	**65 098**	47 769	*17 329*	*36%*
Shareholders' equity	**21 976**	26 972	*(4 996)*	*-19%*

- **Current assets** increased by 14% in Q2-26 compared to YE-25. The $3.3 million increase comes mainly from the $4.7 million increase in inventory, $2.4 million increase in accounts receivable less $4.5 million cash and share deposit allocated to the LSL Med+ transaction closed on January 1, 2026. Accounts receivables have increased due to the increase in revenues as well as the addition of LSL Med+. Our inventory level at the end of Q2-26 reflects the addition of LSL Med+ less the reduction in inventory at Steri-Med. The reduction of inventory levels at Steri-Med was due to the production halt/slow-down caused by the Health Canada remediation plan.
- **Fixed Assets** as at the end of Q2-26 were down 1% compared to YE-25, as additions of $0.7 million were offset by $0.9 million of depreciation.
- **Right-of-use-Assets (RoUA)** have increased by 70% since the start of the year due to LSL Pharma Group moving into its new central warehouse on April 1, 2026 (see Q2-26 events). The $4.9 million increase relates to the addition of the non-depreciated economic value of the new warehouse lease expiring December 31, 2036. The lease period used for IFRS accounting includes the 5-year renewable period.
- **Intangible Assets** have increased by $1.9M since YE-25 as the Corporation continues to invest in its Eye-Care ointment product pipeline as well as expanding its eye-drops portfolio. Intangibles also capture investments made to grow LSL Med+'s product portfolio.

- **Goodwill** increased by $2.4 million to reflect the consideration paid for the acquisition of LSL Med+ (See Segment Reporting – Private Label) and representing the difference between the consideration paid less assets acquired net of liabilities assumed. The finalization of the purchase price allocation analysis will be performed before year-end 2026 and may impact the value of goodwill.
- **Total Assets** increased by $12.3 million at the end of Q2-26 compared to YE-25. The 17% increase includes additions of $3.3 million to current assets described above, and $4.9 million, $1.9 million and $2.4 million respective increases in RoUA, intangibles and goodwill described above.
- **Operating loans** at the end of Q2-26 was $10.0 million, compared to $2.5 million at YE-25. Since the start of 2026, operating loans were used to support operations, including a $1.2 million investment in working capital, $2.4 million investment in capital assets/intangibles, as well as $2.5 million for debt servicing and lease liability obligations.
- **Current liabilities** at the end of Q2-26 were $23.7 million compared to $10.3 million at YE-25 representing $13.4 million increase. The increase comes from the $7.5 million increase in operating loans, and a $5.1 million increase in accounts payable mainly due to the LSL Med+ acquisition which represents 73% of this increase.
- **LT debt and notes** decreased by 2% since the start of 2026 representing capital repayments on outstanding debts and changes to short-term portion.
- **Lease liability** increased by $4.5 million to reflect the lease obligations related to the new central warehouse.
- **Total liabilities** increased by 36% since the start of FY-26. The $17.3 million increase reflects the respective increase in short-term liabilities and long-term lease liability discussed above, less the reduction in Long-term debt.
- **Shareholders Equity** decreased by $5.0 million from the YTD-26 period and represents the P&L performance for the period.

SELECTED QUARTERLY PERFORMANCE

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

The following table sets out the Corporation's selected quarterly financial information. This information is derived from audited financial statements prepared by management in accordance with IFRS. The following quarterly information is presented on the same basis as our unaudited condensed consolidated financial statements and should be read in conjunction with those statements and their accompanying notes.

	Q2-26	Q1-26	Q4-25	Q3-25	**Q2-25**	Q1-25	Q4-24	Q3-24
Revenues								
CMO	**8 467**	6 153	6 703	6 581	**6 463**	5 748	4 305	2 357
Eye-care	**1 182**	1 500	622	995	**755**	877	1 080	1 652
Private label (LSL Med+)	**4 979**	4 647	-	-	**-**	-	-	-
Total Revenues	**14 628**	12 300	7 325	7 576	**7 218**	6 625	5 385	4 009
Gross Profit (Loss)	**1 748**	769	(1 395)	2 331	**2 061**	2 106	1 472	1 194
Adjusted Gross Profit[1]	**3 153**	2 856	1 646	2 695	**2 368**	2 426	1 900	1 548
Adj. Gross Profit %	***21,6%***	*23,2%*	*22,5%*	*35,6%*	***32,8%***	*36,6%*	*35,3%*	*38,6%*
Expenses								
SG&A expenses	**2 801**	2 590	2 003	1 849	**1 721**	1 659	1 172	1 109
SG&A % of revenues	***19,1%***	*21,1%*	*27,3%*	*24,4%*	***23,8%***	*25,0%*	*21,8%*	*27,7%*
Share-based Comp.	**49**	**14**	**43**	**88**	**36**	**14**	**16**	**-**
Financial Expenses	**1 140**	982	817	817	**693**	588	552	478
(Gain) Loss on debt settlement	**-**	-	(669)	757	**-**	-	-	-
(Gain) on acquisition	**-**	-	(2 428)	-	**-**	-	(4 817)	(7)
Net (Loss) Income	**(2 242)**	(2 817)	(1 096)	(1 180)	**(389)**	(155)	4 499	(386)
EBITDA (Loss) Profit	**(27)**	(1 019)	(265)	1 000	**1 011**	904	5 576	446
Adj. EBITDA Profit (Loss)[1]	**435**	503	(27)	964	**719**	802	775	456

Notes:

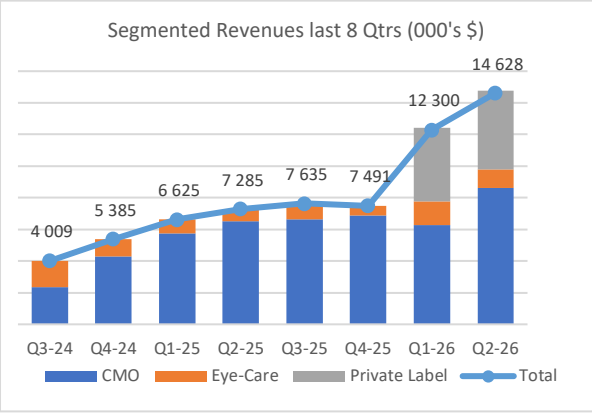
1. *Adjusted Gross Profit and Adjusted EBITDA for Q1 & Q2-26 have been adjusted to reflect the impact of the production halt and slow-down at Steri-Med to implement the Health Canada remediation plan.*

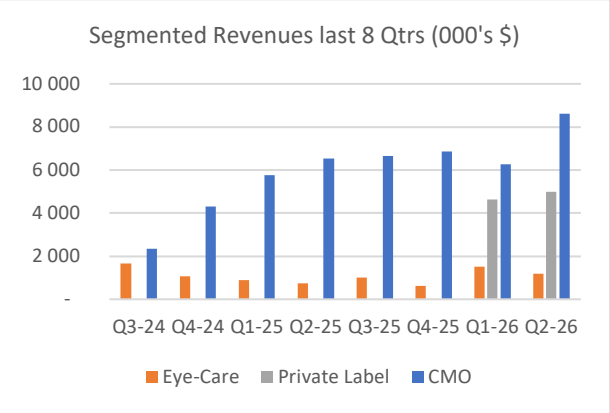
- **Revenues.** The Corporation's total revenues have increase 265% over the last 8 quarters. This reflects a strong organic growth as well as growth derived from the CMO acquisitions (VSI in Q2-24, Dermolab in Q4-24, and Du-Var in Q4-25) as well as the acquisition of LSL Med+ effective January 1, 2026. CMO revenues have increased by 38% in Q2-26 compared to Q1-26 as the 4 sites experienced solid performance. The CMO is well positioned to continue its growth by leveraging the recent acquisitions as well as the investments made at LSL Laboratory.

  Revenues for the Eye-care segment in Q1-26 were strong and driven by market share gains in Canada for the Corporation's existing products. Q1-26 Eye-Care revenues were the highest since Q3-24 when the Corporation benefited from OOS situations impacting a direct competitor in Canada. YTD-26 revenues have not been impacted by the production halt/slowdown at Steri-Med, as inventory levels were increased in anticipation of the HC inspection. Eye-care revenues in Q4-25 were impacted by the special provisions for returns of products sold to the US during FY-23/24. Revenues for the Eye-care segment in Q3-24 benefited from non-recurrent OOS situation in Canada by a direct competitor selling Erythromycin and shortage of erythromycin in the USA.

  Private Label revenues in Q1-26 and Q2-26 represent the LSL Med+ business which are presented as our 3rd business segment. LSL Med+ achieved record revenues in Q2-26 and we expect revenues to continue to trend upward due to sequential launch of new products and increased demand for existing products.

  Below we present revenues by business segments for the last 8 quarters:





- **Gross Profit** in Q1-26 and Q2-26 was impacted by the production halt/slow-down at Steri-Med, while gross profit in Q4-25 has been impacted by YE-25 adjustments. LSL Pharma achieved RECORD **Adjusted Gross Profit** in Q2-26 as all 3 segments contributed to the group's performance. (A) Gross Profit in Q4-25 was impacted by YE-25 adjustments. Gross profit and (A) Gross profit have fluctuated significantly over the last 8 quarters as the operating costs and product margins were influenced by the level and mix of revenues between our operating segments including the recent addition of our Private Label segment in 2026.

- **SG&A** expenses have been impacted by the integration of 3 companies acquired over the last 2 years, namely Dermolab, (December 1, 2024), Du-Var (November 17, 2025) and LSL Med+ (January 1, 2026). SG&A as a % of revenues has trended down as the Corporation aims to leverage increased scale to implement synergies.

- **Financial Expenses.** Financial expenses over the last 8 quarters have been trending up as we secured new debt/loans to finance our operations and acquire operating/commercial assets. New debts and notes secured during these periods have been partly offset by debt repayments of more expensive financial instruments and conversion of loans into equity when possible. The $12 million convertible debt financing completed late in Q4-25 impacted our financial expenses in Q1 and Q2-26. The 10% coupon on this debt is reasonable for such an instrument and kept low due to a favorable $0.45 conversion price. Financial expenses in Q3-25 included a $0.1 million penalty on redemption of the convertible debentures. Also Q2-26 expenses include a greater use of our operating loans compared to the prior quarters.

- **(Gain) Loss on settlement of debt**. During Q3-25, the Corporation incurred a non-cash $0.8 million loss on the repayment of convertible debentures. During Q4-25, the Corporation generated a non-cash gain when the interest rate on the long-term BDC loan was lowered by 1.5%.
- **Gain on Acquisition.** Our Q4-24 results included a gain of $4.8 million resulting from the acquisition od Dermolab less a nominal adjustment for the VSI acquisition completed in Q2-24. During Q4-25, the Corporation realized a $2.4 million net gain on the Du-Var acquisition. So far, no gain has been recorded from the LSL Med+ acquisition. The Corporation has 12-months following each acquisition to book the final impact of each transaction.
- **Net (loss) Income** The Corporation generated a $4.5 million net income in Q4-24 as a result of a non-recurrent gain on the acquisition of Dermolab. Net loss for Q3-25 was impacted by a $0.9 million non-recurrent impact of the penalty and loss on settlement/redemption of the convertible debenture. Net loss in Q4-25 have been impacted by the YE-25 adjustments while the Q1-26 and Q2-26 results have been impacted by the production halt/slowdown at Steri-Med partly offset by the strong revenue performance of the LSL Pharma group.
- **(A) EBITDA**. Except for Q4-25 our Adjusted EBITDA performance is reflective of the expansion of our CMO operations, and the increased production levels at all operating sites. LSL Med+ is expected to contribute positively to our results going forward, while the contribution of the Eye-Care will be highly correlated to production levels at Steri-Med once the HC remediation plan and the commissioning of the second operating line are completed. Sales of the new eye-drop portfolio launched at the end of Q2-26 is also expected to contribute to accelerate the growth of our revenues and margins with a direct impact on EBITDA.

LIQUIDITIES AND CAPITAL RESOURCES

			Change				*Change*	
	Q2-26	Q2-25	*$*	*%*	**YTD-26**	YTD-25	*$*	*%*
Operating Activities								
Net loss from operations	**(2 242)**	(389)	*(1 853)*	*476%*	**(5 059)**	(544)	*(4 515)*	*830%*
Other items not affecting cash	**2 264**	1 436	*828*	*58%*	**4 076**	2 509	*1 567*	*62%*
Changes in non-cash working capital	**1 108**	440	*668*	*152%*	**(1 426)**	(961)	*(465)*	*48%*
Cash provided (used) by operations	**1 130**	1 487	*(357)*	*-24%*	**(2 409)**	1 004	*(3 413)*	*-340%*
Investing Activities								
Acquisition of PPE	**(406)**	(440)	*34*	*-8%*	**(652)**	(814)	*162*	*-20%*
Intangibles	**(919)**	(545)	*(374)*	*69%*	**(1 512)**	(807)	*(705)*	*87%*
Cash used by investing activities	**(1 325)**	(985)	*(340)*	*35%*	**(2 164)**	(1 621)	*(543)*	*33%*
Financing Activities								
Cash provided by financing activities	**395**	4 290	*(3 895)*	*-91%*	**4 992**	5 290	*(298)*	*-6%*
Increase (decrease) in cash	**200**	4 792	*(4 592)*	*-92%*	**419**	4 673	*(4 254)*	*-91%*
Cash, beginning of the period	**767**	177	*590*	*333%*	**548**	296	*252*	*85%*
Cash, end of the period	**967**	4 969	*(4 002)*	*-81%*	**967**	4 969	*(4 002)*	*-81%*

- **Operating activities** in Q2-26 generated $1.1 million compared to $1.5 million in Q2-25. Cash generated during Q2-26 included $2.2 million used for net loss from operations, offset by $1.1 million generated from non-cash working capital and $2.3 million generated from items not affecting cash such as $1.1 million for depreciation and amortization and $1.1 million of net finance expenses.

  For the first 2 quarters of 2026, the Corporation used $2.4 million of cash including $5.1 million for net loss from operations, $1.4 million used for non-cash working capital, less $4.1 million items not affecting cash such as $1.9 million for depreciation and amortization and $2.1 million of net finance expenses. Changes in non-cash working capital for Q2-26 included the $0.5 million balance of sales on the LSL Med+ acquisition and fluctuation of other non-cash W/C items mainly related to the reduction of payables at Du-Var and LSL Med+.

- **Investing activities** used $1.3 million of cash during Q2-26 for addition to intangible, and fixed assets. Addition to intangibles included further investments towards the development of the Eye-care pipeline, while the addition to fixed assets included investments for setting up the new operating line at Steri-Med.

  For the YTD-26 period, investing activities used $2.2 million. Including the Q2-26 variance, LSL Pharma made net investments of $1.5 million to its product pipeline (intangibles) and $0.7 million to PPE.

- **Financing activities** for Q2-26 contributed net proceeds of $0.4 million compared to $4.3 million in Q2-25. Proceeds in Q2-26, included net proceeds of $1.7 million from the increase in the revolving credit facility offset by $0.7 million interest payments, $0.2 million debt repayment and $0.4 million change in lease liability obligations.

  For the YTD-26 period, financing activities contributed net proceeds of $4.9 million compared to $5.3 million for YTD-25. The YTD-26 net proceeds included $7.5 million from the increase in the revolving credit facility offset by $1.3 million interest payments, $0.5 million debt repayment and $0.8 million change lease liability obligations. The increase in the use of the revolving credit facility was used in part to support working capital investments for Du-Var and LSL Med+.

- **Net cash** at the end of Q2-26 was $1.0 million compared to $5.0 million at the end of Q2-25. The cash at the end of Q2-25 included funds received from the new Desjardins line of credit that served to repay the loans and operating lines from TD Bank, Scotia bank, Finacces and others at the start of Q3-25.

Transaction with related parties and shareholders

Key management personnel include the Chief Executive Officer, Chief Financial Officer, and Corporate Vice-Presidents. The following table presents the compensation of key management personnel and Directors recognized in the consolidated statements of loss and comprehensive loss:

Expenses	Three months		Six months	
For the three- and six-month periods ended on June 30,	**2026**	2025	**2026**	2025
Salaries, benefits, bonus, consulting and board fees	**460**	441	**776**	697
Interest on notes and debentures	**167**	79	**270**	120
Share-based compensation	**40**	36	**51**	50

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

Liabilities	*Notes*	**June 30, 2026**	Dec. 31, 2025
Key management personnel and Directors			
Convertible Debentures and accrued interest	*1*	**4,000**	4,000
Director fees included in accrued liabilities		**34**	53
Company controlled by key management personnel			
Notes payable, and accrued interest	*2, 3*	**1,525**	1,441

Notes:

1. *Accrued interest on the convertible debenture was paid after the end of Q2-26.*
2. *Between December 2023 and March 2026, the Corporation borrowed various amounts from a company controlled by key management personnel bearing interest at 10-15% and repayable on or prior to February 1, 2028.*
3. *On December 1, 2024, $1,000 in long-term notes payable was issued to a company controlled by key management personnel at 10% interest rate, repayable on January 1, 2028.*

Liquidities and financial position

	Q2-26	YE-25	Change $	Change %
Cash	**967**	548	*419*	*76%*
Accounts receivables	**7 920**	5 502	*2 418*	*44%*
Inventories	**17 068**	12 350	*4 718*	*38%*
Prepaids and deposits	**1 453**	1 194	*259*	*22%*
Other asset - acquisition deposit	**-**	4 500	*(4 500)*	*-100%*
Total Current Assets	**27 417**	24 103	*3 314*	*14%*
Revolving credit facility	**10 020**	2 525	*7 495*	*297%*
Accounts payable and accrued liabilities	**11 312**	6 227	*5 085*	*82%*
Current portion of long-term debt, financing and lease liability	**2 404**	1 560	*844*	*54%*
Total Current Liabilities	**23 736**	10 312	*13 424*	*130%*
Working capital	**3 681**	13 791	*(10 110)*	*-73%*
Working Capital Ratio	**1,16**	2,34	*(1,18)*	*-50%*

Note 1: YE-25 balance relates to the cash/equity portion of the consideration paid to the Seller, for the LSL Med+ transaction closed on Jan. 1, 2026

Over the last year, the Corporation has been successful at raising capital to fund its growth initiatives. LSL Pharma made a series of acquisitions and continued investment aimed at building critical mass and a solid pipeline of commercial products that will drive growth going forward.

Recent initiatives include:

1. Funding the acquisition and launch of a portfolio of eye-drops (Eye-Care segment);
2. Acquiring and funding the restructuring of Du-Var (CMO segment);
3. Acquiring and commissioning new production equipment at LSL Laboratories (CMO segment);
4. Acquiring and funding the growth of Juno OTC, now renamed LSL Med+ (Private label segment);
5. Continued development of new first-to-market sterile ophthalmic ointment generic (Eye-Care segment);
6. Acquisition and commissioning of a new state-of the art second manufacturing line (Eye-Care segment);
7. Continued investment in working capital assets to fund the revenue growth (all segments);
8. Leasing a new 54,300 s.f. central warehouse for internalizing 3PL, external warehousing, and shipping activities;

As a result of the above initiatives, working capital assets have increased significantly to $26.5 M at the end of Q2-26. The level of working capital assets has enabled LSL Pharma to almost double its operating loan facility with its short-term lenders. We are confident about our ability to leverage our working capital assets and secure additional short-term financing to continue implementing its operating and strategic initiatives.

Total net borrowings under credit agreements, plus bank loans and other interest-bearing instruments, net of Cash ("Total net borrowings") totaled $36.2 million at the end of Q2-26 compared to $29.5 million at YE-25. This compares to net tangible assets (total assets less cash, RoUA, net intangibles and goodwill) of $52.3 million and $49.6 million respectively for Q2-26 and YE-25. Total Net Borrowing to Net Tangible Assets ratio ("Leverage ratio") stood at 0.69:1 at the end of Q2-26 compared to 0.59:1 as at the end of 2025.

We believe that our leverage ratio is adequate for the time being and our goal is to reduce our interest-bearing debt, debt servicing and cost of capital over time. The Desjardins and BDC financing secured in Q2-25, as well as the $12 million convertible debt financing completed at the end of 2025 meet these objectives. There is no debt servicing associated with the convertible debentures other than the semi-annual 10% coupon until its 4-yr maturity in December 2029, and the coupon is favorable by limiting the costs of capital due to its attractive conversion price. Our average cost of interest-bearing debt at the end of Q2-26 stood at 8.2% and our $1.7 million capital repayments on LTD represent less than 7% of our total long-term debt, due to favorable terms and long-term assets as collateral.

Considering the anticipated improvement of our profitability derived from the combined performance of all operating segments and more importantly after Steri-Med's production comes back to normal, the Corporation is confident in its ability to continue secure additional capital from conventional lenders or investors should it requires more capital to fund its growth initiatives.

Financial risks and fair value measurement – *refer to our FY-25 Annual Audited financial statements – Note 21.*

Risk Factors

For a detailed discussion of additional risk factors, please refer to the Corporation's latest Information Circular on www.sedarplus.ca.

Disclosure of Outstanding Share Data

LSL Pharma's authorized share capital consists of an unlimited number of Class A Common Shares.

As of August 24, 2026, LSL Pharma had 126,729,818 Class A Common Shares outstanding. In addition, a total of 70,975,704 Class A Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by LSL Pharma, and comprised of:

- 26,666,666 Class A Common Shares issuable upon conversion of convertible debt;
- 34,218,768 Class A Common Shares issuable upon exercise of Warrants and Compensation warrants;
- 10,090,270 Class A Common Shares issuable upon exercise of Options (assuming full vesting).

Assuming exercise and conversion of the above, there would be a total of 197,705,522 shares outstanding, adding cash and removing convertible debts for a combined total of $41.3 million.