LSL PHARMA GROUP INC.

(formerly known as Corporation Exploration Îledor)

Management's Discussion and Analysis for the three-month and six-month periods ended June 30, 2023 and June 30, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

This document constitutes management's discussion and analysis of the financial condition and results of operations of **LSL PHARMA GROUP INC. (**"LPG" or the "Company") for the three-month and six-month periods ended June 30, 2023 and 2022. This document should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the three-month and six-month periods ended June 30, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in thousands of Canadian dollars (unless otherwise indicated), except for shares, warrants, options and per-share amounts. This discussion and analysis document has been prepared by management from information available as at August 28, 2023. Further information on the Company is available online on SEDAR at www.sedar.com.

Non-IFRS financial measures

The non-IFRS financial measures included in this MD&A are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. When used, these measures are defined so as to permit reconciliation with the closest IFRS measure. These measures are provided as supplementary information to complement IFRS measures by providing a better understanding of our operating results from our perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our IFRS financial information. Despite the importance of these measures to management in setting objectives and assessing performance, we emphasize that they are non-IFRS measures whose usefulness to investors may be limited.

We use non-IFRS measures, such as adjusted gross margin, EBITDA and adjusted EBITDA, to provide investors with an additional measure of our operating performance and thus highlight trends in our core business that might not be apparent if IFRS financial measures alone were used. We also believe that financial analysts, investors and other interested parties frequently use non-IFRS measures to evaluate issuers. We also use non-IFRS measures to facilitate period-to-period comparisons of operating performance, to prepare annual operating budgets, and to assess our ability to meet future debt servicing, capital expenditure and working capital requirements. The definition and reconciliation of adjusted gross margin, EBITDA and adjusted EBITDA used and presented by the Company with the most directly comparable IFRS measures are detailed below:

Adjusted gross margin is defined as gross margin from product sales less amortization charges for intangible assets and amortization charges for property, plant and equipment. Management believes that adjusted gross margin better reflects the cash impact of earnings contributions.

EBITDA is defined as net income or net loss adjusted for income taxes, depreciation of property, plant and equipment, amortization of intangible assets, interest on short- 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 Company's operating performance.

Adjusted EBITDA is defined as EBITDA adjusted for special recruitment and severance costs, special professional fees, stock based compensation and other costs of issuing warrants or options, moving expenses and other expenses related to the Company's listing on the TSX Venture Exchange. We use Adjusted EBITDA as a key indicator to assess our Company's performance 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 margin and adjusted gross margin, as well as net loss to EBITDA and adjusted EBITDA, is described later in this document.

This management report was approved by the Company's Board of Directors on August 28, 2023.

Cautionary statement regarding forward-looking statements

This Management's Discussion and Analysis may contain forward-looking information within the meaning of applicable Canadian securities legislation. Forward-looking information can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "continue" or similar expressions. Forward-looking information is subject to various known and unknown risks and uncertainties, many of which are beyond the Company's ability to control or predict, that could cause the Company's actual results or performance to differ materially from those expressed or implied by the forward-looking information, and is based on assumptions regarding these risks and other factors set forth herein.

Use of judgments and estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and accompanying disclosures. Uncertainty relating to these assumptions and estimates could result in results requiring a material adjustment to the carrying amount of the assets or liabilities concerned in future periods. These assumptions and estimates are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in all subsequent periods to which they relate. Information on the significant judgments and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses is provided in note 4 to the Company's audited annual consolidated financial statements for the year ended December 31, 2022 and in note 3 to the unaudited consolidated financial statements for the three-month and six-month periods ended June 30, 2023 and 2022 concerning the inputs used in the Black & Scholes model to determine the fair value of warrants and stock options.

Selected financial information

Period ended	**June 30 2023 3 months $**	June 30 2022 3 months $	**June 30 2023 6 months $**	June 30 2022 6 months $
Information derived or calculated from the consolidated financial statements of net loss and comprehensive loss				
Revenue	**2,034**	1,418	**4,058**	3,283
EBITDA (loss)	**(2,423)**	(1,364)	**(5,854)**	(2,947)
Adjusted EBITDA	**(260)**	(1,364)	**(263)**	(2,947)
Net loss	**(3,101)**	(1,339)	**(7,234)**	(3,579)

As of	**June 30 2023 $**	December 31 2022 $
Information from the consolidated statements of financial position		
Current assets	**6,775**	4,394
Total assets	**29,561**	27,312
Long-term liabilities excluding lease liabilities	**6,062**	7,742
Shareholders' equity	**10,544**	5,641

Financial highlights

Here are some highlights for the second quarter of 2023:

- LPG saw its revenues increase by **43.5%** between Q2 2023 and Q2 2022 (3-month periods) and by **23.6%** between the first six-month period of 2023 compared to 2022.
- Both gross margin and adjusted gross margin increased. Gross margin rose from **-23.4%** in Q2 2022 to **+34.0%** in Q2 2023, while adjusted gross margin rose from **-3%** in Q2 2022 to **+47%** in 2023.
- Adjusted EBITDA also improved in the second quarter, from **($1,364)** in Q2 2022 to **($260)** in Q2 2023.
- Working capital increased significantly compared with December 31, 2022, from **($6,973)** to **($3,683)** at June 30, 2023, an improvement of **$3,290.**
- Cash and cash equivalent stood at $514 at June 30th, 2023 compared to nil at December 31, 2023.
- Shareholders' equity rose from **$5,641 to $10,544** following, among other things, a private placement in February 2023 for a total amount of **$8,361.**
- Since the end of 2022, LPG has undertaken the certification and validation of **5 to 8 new sterile products** which should be available for sale towards the end of 2024 and in 2025.
- The relocation of the La Pocatière plant was duly completed during Q2 2023. The new 22,000 sq. ft. plant will significantly increase LSL's production capacity.

Description of the private placement completed in the first quarter of 2023

Reverse takeover and private placement

On December 22, 2022, LSL Laboratory Inc. entered into an agreement with Corporation Exploration Îledor ("Îledor"), pursuant to which Îledor completed, effective February 22, 2023, a transaction involving a change in its business at arm's length, in accordance with the policies of the TSX Venture Exchange, by way of a reverse takeover with LSL Laboratory Inc. (the "Reverse Takeover"). Prior to the completion of the Reverse Takeover, Îledor consolidated its Class A common shares (the "Common Shares") on the basis of one (1) post-consolidation Common Share for each twenty-five (25) Common Shares outstanding prior to the consolidation (the "Consolidation"), and Îledor changed its name to LSL Pharma Group Inc. (the "Resulting Issuer").

On March 1, 2023, the common shares of LSL Pharma Group Inc. began trading on the TSX Venture Exchange ("TSXV") under the symbol "LSL".

The following transactions took place in connection with the reverse takeover:

- Acquisition by Îledor of all the outstanding shares and securities of LSL Laboratory Inc. for a total consideration of $47,662 in a reverse takeover whereby the resulting issuer issued 68,089,000 common shares (post-consolidation) at a price of $0.70 per common share and 33,606,000 warrants to the shareholders of LSL Laboratory Inc. The resulting issuer also issued 1,575,000 common shares (post-consolidation) at a price of $0.70 per common share as a commission in connection with the reverse takeover;

- The Resulting Issuer completed, on February 22, 2023, a first tranche private placement of 11,736,566 Units at a price of $0.70 per Unit (the "Units") for total gross proceeds of $8,216 (the "First Tranche Private Placement") and, on March 13, 2023, a second tranche of 207,143 Units for total gross proceeds of $145 (the "Second Tranche Private Placement" and, together with the First Tranche Private Placement, the "Private Placement"). Each Unit consists of one (1) common share (post-consolidation) and one-half (1/2) warrant. Each whole warrant entitles the holder to acquire one (1) additional common share (post-consolidation) at a price of $1.00 for a period of 18 months. The total value attributed to the warrants in the transactions detailed above is $0.12 per half (1/2) warrant.

- A total of $464 in cash and 662,818 broker warrants were paid as commissions for the first tranche of the private placement, and a total of $6 in cash and 8,000 broker warrants were paid as commissions for the second tranche of the private placement, where each broker warrant entitles its holder to acquire one unit (on the same terms as the units in the private placement) at a price of $0.70 each for a period of 18 months from the closing date of the public offering;

  - A stock option plan has been set up by the issuer resulting ;

  - Following the takeover and private placement, there were 82,433,578 common shares issued and outstanding (post consolidation) of LSL Pharma Group Inc. of which the former common shareholders of LSL Laboratory Inc. controlled the majority.

For accounting purposes, it has been determined that Îledor is the accounting acquiree and LSL Laboratory Inc. is the accounting acquirer, as the shareholders of LSL Laboratory Inc. now control LSL Pharma Group Inc. using the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer. Since LSL Laboratory Inc. is considered the accounting acquirer, these consolidated financial statements (and, consequently, the MD&A) have been prepared as a continuation of the financial statements of LSL Laboratory Inc. Consequently, the 2022 comparative information included in this document is that of LSL Laboratory Inc. only. For simplicity's sake, transactions carried out by LSL Laboratory Inc. are referred to as being carried out by the Company in this MD&A.

Corporate strategy and future development

LPG's management intends to pursue its strategy of organic growth (existing products and customers as well as new products and customers) and the acquisition of new product and business portfolios.

Organic growth at LSL Laboratory Inc. (LSL) and Steri-Med Pharma Inc (Steri-Med) plants

For **LSL** :

- Growth will be achieved through existing customers and the addition of new ones. Thanks to its new 22,000 sq. ft. plant, LSL estimates that, simply with its existing customers and the addition of a few new ones, it will be able to increase its revenues by 15-20% per year over the next few years.
- Over the next few years, LSL plans to expand its product range by adding new natural health products (NHPs) for its private label business, and also developing new NHP products for the veterinary market, as well as opening up new markets such as the USA and Europe. This could add up to 10% to annual revenue growth.
- The relocation of the LSL plant was completed in Q2 2023. The plant has now been 100% operational since August, enabling the Company to implement its growth plan.

For **Steri-Med** :

- The organic growth strategy will be achieved by optimizing and increasing production capacity by the end of 2023, which will double by early 2024. In addition, a completely new production line will be added towards the end of 2024, doubling capacity once again. Thus, by 2025, production capacity will have quadrupled compared with 2023, enabling the Company to manufacture all its new products currently under development.
- Expansion into new markets will also involve increasing production capacity. Serious discussions are already underway with major U.S. customers, which could represent potential revenues 6 to 8 times greater than those in Canada by 2025. Steri-Med forecasts that by 2025, over 25% of its product revenues will be generated abroad.
- By adding and developing new sterile products to add growth of over 20% per year over five (5) years, Steri-Med expects to market 10 to 15 new sterile ointments, eye drops and veterinary products. Steri-Med already has the expertise and Health Canada licenses to manufacture these products.

Acquisition of companies and products with marketing authorization in Canada

LPG is on the lookout for companies and products whose profile matches its vision and growth strategy. LPG has put in place an active program to identify potential companies and products for acquisition or licensing. A number of companies and products have already been targeted by management.

Here are some of the criteria used to evaluate business opportunities for companies and/or products to be acquired:

Criteria	Description
Potential income	LPG is looking for profitable companies with potential sales in Canada of between $2 and $25 million, and with the capacity for growth. In terms of products, LPG targets niche products with annual revenue potential of at least $250,000. This scale puts these projects under the radar screen of big pharma, making them easier to acquire.
Development stage	LPG only looks for products that are ready for market, and ideally already registered in Canada.
Investment	The Company does not wish to engage in an auction process but would like to pay a fair price based on the profitability generated and current and future revenues.
Market differentiation	The Company's choice of products is based on its ability to position the product advantageously in the market and its integration into its current portfolio.
Integration into current portfolio	The product must be marketable through LPG's existing revenue channels, and offer clear prospects for short-term profitability and growth.

Reconciliation of adjusted gross margin

The following table reconciles gross margin and adjusted gross margin for the three-month period ended June 30, 2023 to the three-month period ended June 30, 2022, as well as for the corresponding six-month periods.

At June 30, 2023, cost of sales includes $255 in amortization, and $284 for the same period in 2022. For the six-month period ending on the same dates, the amounts of amortization included in cost of sales were $470 and $565 respectively. Management considers that this amortization expense is not directly related to operating costs, and believes that the adjusted gross margin better reflects the actual cost of production.

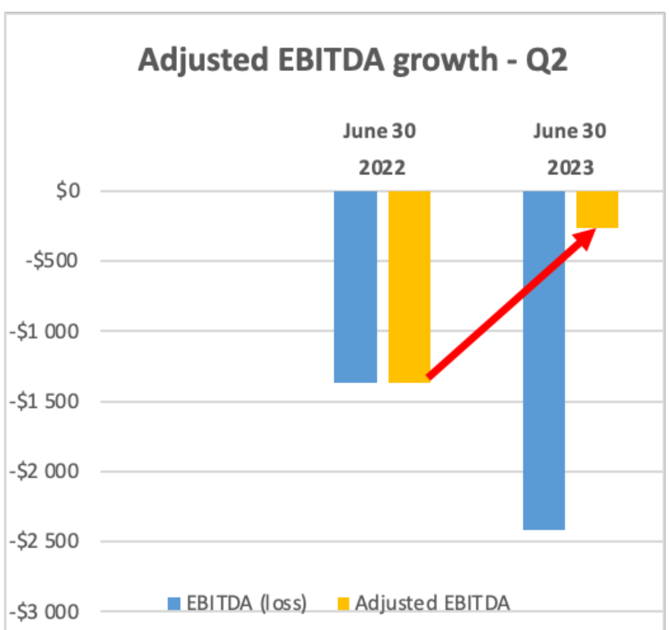
Period ended	**June 30 2023 3 months $**	June 30 2022 3 months $	**June 30 2023 6 months $**	June 30 2022 6 months $
Revenues	**2,034**	1,418	**4,058**	3,283
Gross margin (loss)	**692**	(332)	**1 079**	(977)
Gross margin % of sales	**34%**	-23%	**27%**	-30%
Adjustments				
Depreciation and amortization	**255**	284	**470**	565
Adjusted gross margin (loss)	**947**	(48)	**1 549**	(412)
Adjusted gross margin % of sales	**47%**	-3%	**38%**	-13%

Reconciliation of adjusted EBITDA

At June 30, 2023 (3 months), LPG's EBITDA was negative $(2,423), compared with negative EBITDA of $(1,364) in the corresponding quarter of 2022. It should be noted that this loss includes a stock-based compensation expense of $2,063, as well as costs of $99 related to the relocation of the LSL plant. For the six-month period ended June 30, 2023, LPG's EBITDA was ($5,854) and ($2,947) for the same period in 2022. It should be noted that during the **first quarter of 2023**, LPG completed a reverse takeover transaction and relocated its LSL Laboratory Inc. plant, representing two specific events that generated non-recurring expenses. The reverse takeover completed in the first quarter of 2023 generated two one-time expenses, namely transaction costs of $2,488, a stock-based compensation expense of $908. Moreover, moving expenses of $132 have been incurred in the 2nd quarter.

The following table reconciles net loss to EBITDA (loss) and adjusted EBITDA for the three-month and six-month periods ended June 30, 2023, compared to the same period ended June 30, 2022:

Period ended	**June 30 2023 3 months $**	June 30 2022 3 months $	**June 30 2023 6 months $**	June 30 2022 6 months $
Net loss	**(3,101)**	(1,339)	**(7,234)**	(3,579)
Net financial expenses	**389**	(309)	**842**	67
Amortization and depreciation	**289**	284	**538**	565
EBITDA (loss)	**(2,423)**	(1,364)	**(5,854)**	(2,947)
Cost of reverse takeover	**1**	-	**2,488**	-
Moving expenses	**99**	-	**132**	-
Stock based compensation expenses	**2,063**	-	**2,971**	-
Adjusted EBITDA (loss)	**(260)**	(1,364)	**(263)**	(2,947)



Transactions with related parties and shareholders

(a) Transactions with related parties:

Key management personnel include the CEO, CFO, Vice-Presidents and members of the Executive Committee.

The following table shows compensation for key management personnel, recognized in the consolidated income statement:

Period ended	**June 30 2023 3 months $**	June 30 2022 3 months $	**June 30 2023 6 months $**	June 30 2022 6 months $
Short-term employee benefits	**292**	275	**588**	591

The Company's balances and transactions with related parties are as follows:

	June 30 2023 $	December 31 2022 $
Assets		
Advance receivable from Îledor included in accounts receivable in relation to expenses paid by the Company on behalf of Îledor	**-**	106
Amount receivable from a company managed by a director of the Company, included in accounts receivable	**6**	-
Liabilities		
Advances payable to key management personnel included in advances payable to shareholders	**272**	23
Amounts of bonds held by key corporate officers and directors and included in long-term debt	**1,150**	1,150
Revenue (6 months)		
Income from a company managed by a director of the Company	**59**	-

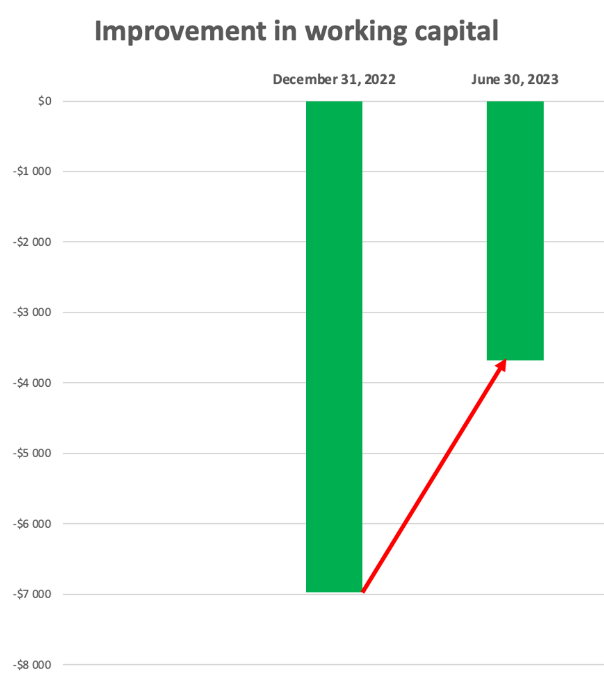
Cash and cash equivalents

	June 30	December 31
	2023	2022
	$	$
Cash and cash equivalents	**514**	-
Accounts receivable	**1,461**	1,231
Inventories	**4,408**	2,957
Prepaid expenses	**392**	206
Accounts payable and accrued liabilities	**5,841**	6,118
Short-term financing and current portion of long-term debt	**4,616**	5,250
Working capital	**(3,683)**	(6,973)

Cash and cash equivalents at June 30, 2023 was positive at $514, whereas cash and cash equivalents for the same period in 2022 was nil. The net loss for the second quarter of 2023 was $3,101, and the net loss for the first half was $7,234. For the same periods in 2022, losses were $1,339 and $3,579. It is important to note that a significant portion of the Q2 2023 loss is due to a stock-based compensation expense of $2,063.

LPG's working capital, while still negative, has improved significantly, from ($6,973) at December 31, 2022 to ($3,683) at June 30, 2023. In the coming quarters, LPG expects to generate positive EBITDA. This will help improve liquidity and working capital. Management does not foresee any major capital expenditures for the remainder of 2023, unless they are adequately financed to preserve liquidity.

Should the need arise, LPG management will raise additional funds to restore liquidity.

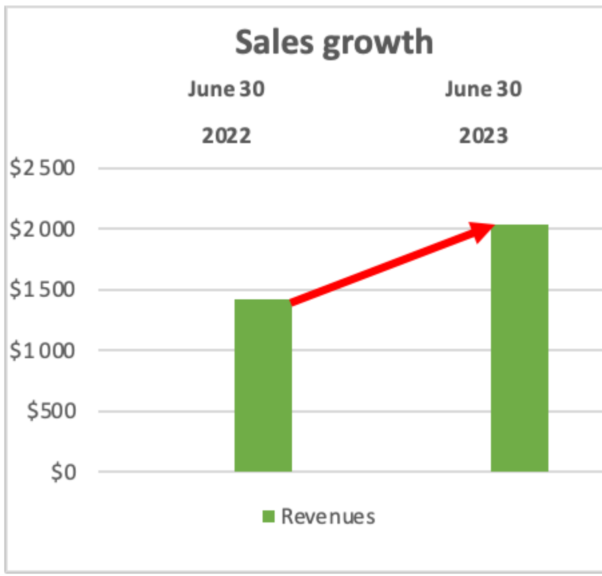


Repayment of long-term debt

Following completion of the reverse takeover, the Company repaid the first advance payable to Finaccès Capital Inc. in the amount of $2,100 and a portion of the third advance payable to Finaccès Capital Inc. in the amount of $500.

Operation results

For the six months ended June 30, 2023, revenues were $4,058, compared with $3,283 for the same period in 2022, a **significant increase of 23.6%.** Revenues for the second quarter 2023 to June 30, were $2,034 compared with $1,418 for the same period last year, **a significant increase of 43.5%**. This increase is the result of the sales efforts made since 2022. It could have been even more significant, given that LPG still has a full order book which points to higher sales by the end of the 2023 fiscal year and for 2024. At the end of the first six-month period, the net loss amounted to $7,234, compared with a net loss of $3,579 for the same period in 2022. The loss for the second quarter of 2023 was $3,101, compared with a loss of $1,339 for the second quarter of 2022.

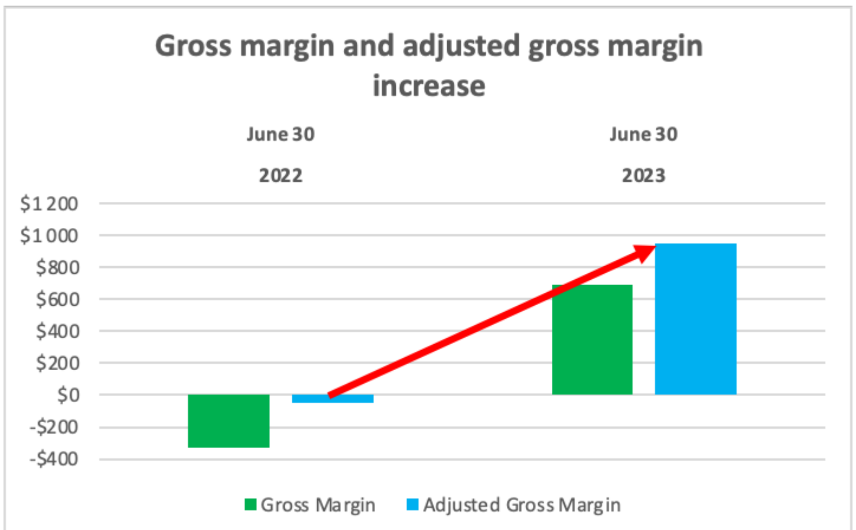


The net loss for the six-month period ended June 30, 2023 was generated by considering, among other things, costs related to the reverse takeover of Îledor of $2,488, stock-based compensation expenses of $2,971 in connection with the stock option program, and moving expenses of $132. Had it not been for these expenses, the net loss would have been $1,643. Adjusted EBITDA (loss) for the 3-month period ended June 30, 2023 was negative at $263, compared with adjusted EBITDA (loss) of $1,364 for the same period in 2022.

The operating loss for Q2 was due to three main factors: costs associated with the stock option program, expenses related to the reverse takeover, and lower productivity following the relocation of LSL Laboratory's plant to La Pocatière. LSL's first-half revenues were lower than management had anticipated. This obviously had a direct negative impact on gross margin. Production delays caused by the plant relocation will be made up in the coming months. On the other hand, Steri-Med performed well and managed to turn a small profit at June 30, 2023.

LPG's gross margin for the three-month period ended June 30, 2023 was $692 or **34%** (gross margin of $1,079 or 27% for the 6-month period ended June 30, 2023), compared with a negative gross margin of $(332), or -23%, for the same period in 2022 (negative gross margin of $977 or -30% for the 6-month period in 2022). This significant improvement is mainly due to the good performance of Steri-Med, which achieved an excellent gross margin for the period. Management is counting on the return to normal production at the LSL plant to return to profitability as early as Q3 2023.

LPG management calculates an adjusted gross margin to reflect more accurately the results directly linked to production. To calculate adjusted gross margin, LPG deducts depreciation and amortization of intangible assets and property, plant and equipment from cost of goods sold. After deducting this charge, the adjusted gross margin for the three-month period ended June 30, 2023 was **47% or $947,** compared with a negative adjusted gross margin of -3% or ($48) for the same period last year. For the first six months of 2023, adjusted gross margin was $1,549 or 38% as at June 30, 2023, compared with ($412) or -13% for 2022. Management is confident of being able to maintain this level of gross margin in the quarters ahead. Maintaining the gross margin combined with improving LSL's productivity will lead to the expected profitability.



In the second quarter of 2023, selling and administrative expenses amounted to $1,242, compared with $1,203 in the second quarter of 2022. Management is satisfied with the stability of fixed SG&A expenses, and expects them to remain stable over the coming quarters. R&D expenses are down to $99 from $113 for the same period in 2022. This drop in R&D spending is more circumstantial than the outcome of a new strategy. LPG has several new product development projects underway and intends to continue investing in R&D. In Q2 2023, financial expenses totaled $389 ($842 for the six-month period) compared with a credit of $309 ($67 for the six-month period) in the same period last year, but which included a gain on debt settlement of $657. Management notes that in August 2023, LPG concluded a new short-term financing of $1,500 with a Canadian chartered bank, which will help reduce financial expenses over the coming quarters.

Financial position - June 30, 2023

LPG's working capital at June 30, 2023 was ($3,683), or 0.65:1.00, a significant improvement on the working capital at December 31, 2022, which was negative ($6,973), or 0.39:1.00. This improvement follows the $8,361 private placement completed on February 22, 2023. As at June 30, 2023, LPG's main current assets are trade receivables, which amount to $1,461 ($1,231 as at December 31, 2022), and inventories, which amount to $4,408 ($2,957 in 2022). Accounts receivable consist of major pharmaceutical distributors, large pharmacy chains and a few small distributors. Inventories consist mainly of raw materials and packaging materials (48%), finished goods (48%) and work in progress (4%). Given the nature of inventories, the risk of obsolescence is minimal. LPG maintains a provision for obsolescence on its total inventory ($90 at June 30, 2023 and $90 at December 31, 2023) mainly for the potential depreciation of raw materials and packaging materials.

Non-current assets at June 30, 2023 amount to $22,786. Of this amount, nearly $13,966 consists of (i) land and a building for $3,801; (ii) various manufacturing equipment for $5,093; and (iii) fixed assets in progress for $2,024. LPG also has $8,801 ($8,981 in 2022) in intangible assets, representing all product formulas and customer relationships following the acquisition of Steri-Med in July 2020.

On the liabilities side of LPG's balance sheet, the main current liabilities at June 30, 2023 are trade payables and accrued liabilities amounting to $5,841 ($6,118 at December 31, 2022). Short-term revolving credit totaling $794 (factoring line for $373 and inventory financing for $422) compared with $1,536 at December 31, 2022 fluctuates with the level of inventories and receivables. In August 2023, LPG concluded a new line of credit with a Canadian chartered bank to replace its factoring financing. The current portion of long-term debt and lease liabilities amounts to $1,808.

LPG's long-term liabilities amount to $8,560 ($10,303 at December 31, 2022) and represent the estimated fair value of the principal amount of long-term debt. Long-term debt was used primarily to finance the Company's acquisition of capital assets and the acquisition of Steri-Med in July 2020.

Shareholders' equity

Shareholders' equity stood at $10,544 at June 30, 2023, compared with $5,641 at December 31, 2022. This increase of $4,902 during the six-month period is mainly due to the private placement in the amount of $8,361 combined with the net loss incurred in the first half of 2023.

	June 30 2023 $	December 31 2022 $
Share capital	**24,367**	15,403
Contributed Surplus	**3,173**	-
Retained earnings (deficit)	**(16,996)**	(9,762)
Total	**10,544**	5,641

Business continuity

This MD&A has been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has incurred net losses and negative cash flows for the three-month and six-month periods ended June 30, 2023 and 2022, and has negative working capital (current liabilities greater than current assets) and an accumulated deficit at June 30, 2023, but positive shareholders' equity.

The Company's business plan depends on the generation of positive cash flow, the continued financial support of its shareholders and lenders and/or the raising of additional funds to finance operations over the next 12 months and beyond. In the past, the Company has relied on external financing to fund its operations, mainly through debt and equity issues, as well as government grants and investment tax credits. Although the Company has been successful in obtaining financing in the past, raising additional funds depends on a number of factors beyond the Company's control, and therefore there can be no assurance that it will be able to do so in the future. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, realize its assets and discharge its liabilities and commitments in the normal course of business.

If the Company is unable to realize anticipated revenues and generate positive cash flows from operations and/or obtain sufficient additional financing, it may be forced to curtail its operations and development activities, which could have an adverse effect on its business, financial condition and results of operations.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of assets and liabilities that would be necessary if the Company were unable to carry out its plan and continue as a going concern. If the going concern assumption were not appropriate for the consolidated financial statements, adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classification of items in the classifications used in the consolidated statements of financial position. These adjustments could be material.

Risk factors

For a detailed analysis of other risk factors, please consult the Company's latest circular on SEDAR at www.sedar.com.

Dividends

LPG's Board of Directors has not adopted a dividend policy. There are no restrictions in LPG's articles of association that would prevent LPG from paying dividends.

Significant accounting policies

The principal accounting policies applied in this MD&A are the same as those applied by the Company in its audited consolidated financial statements for the year ended December 31, 2022 and for the three-month and six-month periods ended June 30, 2023.

Disclosure of data relating to outstanding shares

The new publicly traded company, LSL Pharma Group Inc. has authorized share capital consisting of an unlimited number of common shares. As at August 28, 2023, LPG had 82,433,578 common shares outstanding.

In addition:

- 40,248,673 common shares to be issued upon exercise of warrants,
- 6,000,000 ordinary shares that may be issued on exercise of the options (assuming full vesting).

Subsequent events

Change in short-term debt and other financial liabilities

On August 2, 2023, the Company entered into a new $1.5 million short-term credit facility with a Canadian chartered bank. The Company subsequently repaid the entire amount due under other financial liabilities. The new short-term financing is secured by a first-ranking hypothec on accounts receivable and inventories.

Borrowings from Desjardins

The Company did not repay the balance of its loan from Desjardins on July 1st, 2023. The Company expects to obtain new maturity date and new terms in order to continue monthly repayments over the coming months.