

Condensed Interim Consolidated Financial Statements of

LSL PHARMA GROUP INC.

Three-month periods ended March 31, 2026, and 2025
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, the statements must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor. The accompanying condensed interim consolidated financial statements of the Corporation have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these condensed interim consolidated financial statements.

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Financial position

(All amounts in thousands of Canadian dollars)

(Unaudited)

As at	Notes	March 31, 2026	December 31, 2025
ASSETS			
Current			
Cash and cash equivalents		769	548
Accounts receivable		6,711	5,502
Inventories		17,310	12,350
Prepaid and deposits		1,477	1,194
Other asset – acquisition deposit	4	-	4,500
Income tax asset		9	9
Total current assets		26,274	24,103
Deposits		20	20
Property, plant and equipment, net		32,384	32,765
Intangible assets, net		18,670	17,473
Deferred tax asset		223	223
Goodwill	4	2,440	157
Total assets		80,011	74,741
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		8,956	6,227
Revolving credit facility	5	8,275	2,525
Current portion of long-term debt	6	1,466	863
Current portion of lease liabilities		1,030	697
Total current liabilities		19,727	10,312
Long-term notes payable	7	2,042	2,040
Long-term debt	6	23,779	24,518
Lease liabilities		7,102	7,707
Deferred tax liability		3,192	3,192
Total liabilities		55,842	47,769
SHAREHOLDERS' EQUITY			
Share capital and warrants	8	40,471	40,471
Equity component of convertible debenture	6 (iv)	593	593
Contributed surplus		3,659	3,645
Deficit		(20,554)	(17,737)
Total shareholders' equity		24,169	26,972
Total liabilities and shareholders' equity		80,011	74,741

Subsequent events (note 14), See accompanying notes

On behalf of the Board of Directors:

(Signed) Louis Laflamme _____, Director

(Signed) Mario Paradis _____, Director

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of loss and Comprehensive loss
(All amounts in thousands of Canadian dollars except for share and per share amounts)
(Unaudited)

	Notes	Three months ended March 31,	
		2026	2025
Revenues			
CMO		6,153	5,748
Eye-Care		1,500	877
Private label		4,647	-
Total Revenue		12,300	6,625
Cost of goods sold	10	11,531	4,519
Gross margin		769	2,106
Expenses			
Selling, general and administrative	10	2,590	1,659
Operating (loss) income		(1,821)	447
Share-based compensation	8 (c)	14	14
Finance expenses	9	982	588
Net loss, being the comprehensive loss for the period		(2,817)	(155)
Basic and diluted loss per share			
	12	(0.02)	(0.00)
Weighted average number of common shares outstanding			
Basic		126,729,818	115,532,676
Diluted		126,798,964	115,532,676

See accompanying notes

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

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

(Unaudited)

	Class A shares and warrants			Equity component of convertible debenture	Contributed surplus	Deficit	Total	
	Notes	Number of shares	Number of warrants					Amount
Balance as at January 1, 2025		115,532,676	36,123,659	36,386	375	3,048	(14,917)	24,892
Net loss		-	-	-	-	-	(155)	(155)
Share-based compensation	8 (c)	-	-	-	-	14	-	14
Balance as at March 31, 2025		115,532,676	36,123,659	36,386	375	3,062	(15,072)	24,751
Balance as at January 1, 2026		126,729,818	41,782,474	40,471	593	3,645	(17,737)	26,972
Net loss		-	-	-	-	-	(2,817)	(2,817)
Share-based compensation	8 (c)	-	-	-	-	14	-	14
Expired warrants	8 (b)	-	(36,500)	-	-	-	-	-
Balance as at March 31, 2026		126,729,818	41,745,974	40,471	593	3,659	(20,554)	24,169

See accompanying notes

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended March 31,	
		2026	2025
OPERATING ACTIVITIES:			
Net loss for the period		(2,817)	(155)
Adjustments for:			
Depreciation and amortization		816	471
Finance expenses		682	588
Share-based compensation	8 (c)	14	14
		1,512	1,073
Net change in non-cash working capital items	13	(2,234)	(1,401)
Cash outflow from operating activities		(3,539)	(483)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(246)	(374)
Acquisition of intangible assets		(593)	(262)
Cash outflow for investing activities		(839)	(636)
FINANCING ACTIVITIES:			
Repayment of long-term debt		(230)	(345)
Issuance of long-term debt		-	596
Interest paid		(540)	(363)
Net change from revolving credit facility		5,750	555
Net change in lease liabilities		(383)	(195)
Net change in notes payable		-	750
Net change in long-term notes		-	2
Cash inflow from financing activities		4,597	1,000
Net change in cash and cash equivalents		219	(119)
Cash and cash equivalents, beginning of year		548	296
Cash and cash equivalents, end of period		767	177

See accompanying notes

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

1. Reporting entity

LSL Pharma Group Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The head office and the registered office of the Corporation is located at 540, rue D'Avaugour, Boucherville, Québec. These condensed consolidated interim financial statements comprise those of the Corporation and its wholly owned subsidiaries, Steri-Med Pharma Inc., LSL Laboratory Inc., Virage Sante Inc., Dermolab Pharma Ltd., Laboratoire Du-Var Inc., and Juno OTC Inc.. The Corporation develops, manufactures and commercializes sterile pharmaceutical products, private label, cosmetic and natural health products. LSL Pharma Group Inc. is listed on the TSX venture exchange under the symbol "LSL".

2. Basis of preparation

These condensed interim consolidated financial statements do not include all the information required of a full set of annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Corporation since the end of the last annual reporting period. It is therefore recommended that these condensed interim consolidated financial statements be read in conjunction with the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2025.

These condensed interim consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on May 22, 2026, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Therefore, these condensed interim consolidated financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements.

3. Use of judgments and estimates:

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses and the disclosures. 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. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in the Corporation's 2025 audited annual consolidated financial statements and are still applicable for the three-month period ended March 31, 2026.

4. Business acquisition

Laboratoire Du-Var Inc.

On November 17, 2025, the Corporation acquired 100% of the outstanding shares of Laboratory Du-Var Inc. ("Du-Var"), a privately owned business headquartered in Boucherville, Quebec.

In operation since 1947, Du-Var specializes in the development, manufacturing and packaging of liquid and semi-solid cosmetic, and natural health products. The acquisition increases the Corporation's production capacity for liquid and semi-solid products and allows the Corporation to diversify its product offering and attract new customers in a segment that compliments its core business.

Consideration paid for the shares was one dollar. The excess of the fair value of net assets acquired resulted in a gain on acquisition of \$2,428 included in the consolidated statement of loss. No goodwill arose from the business combination with Laboratory Du-Var Inc.

The fair value of trade and other receivables acquired as part of the business acquisition amounted to \$642 with a gross contractual amount of \$642. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted to nil.

The fair value of the consideration transferred, and the net identifiable assets acquired were determined based on the Corporation's assumptions and estimates. Accounts receivables were recognized at fair value, which does not differ from their gross contractual value and expected receipts. Inventories are measured at their net realizable value, which corresponds to the estimated selling price less the estimated costs necessary to make the sale. A combination of the direct and indirect methods of the cost approach and of the market approach was used to estimate the fair value of property, plant and equipment. The replacement cost was used to value licenses and

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

certification. The multi-period excess earnings and the replacement costs were used to derive the value of customer relationships. These valuation methods are all primarily based on expected discounted cash flows according to available information, such as Du-Var's historical and projected revenue and profit before interest, income taxes and depreciation and amortization, the likelihood of certain customer agreements being renewed, the discount rates, and certain other relevant assumptions.

The following is a summary of assets acquired, liabilities assumed, and the consideration transferred: Estimated fair value

Assets acquired:	
Accounts receivable	609
Inventories	1,223
Prepaid expenses	131
Property, plant and equipment	8,176
Intangible assets – ERP	450
Customer relationships	1,100
License and certifications	350
	12,039
Liabilities assumed:	
Accounts payable and accrued liabilities	1,865
Revolving line of credit (net of cash acquired)	1,116
Long term debt	1,207
Deferred tax liability	1,471
Lease liabilities	3,952
	9,611
Total net assets acquired, and liabilities assumed	2,428
Total consideration	-
Gain on acquisition	2,428
Total consideration for the outstanding shares acquired	2,428

Juno OTC Inc.

On December 23, 2025, the Corporation acquired 100% of the outstanding shares of Juno OTC Inc. ("Juno OTC"), a Toronto based wholly owned subsidiary of Juno Pharmaceuticals LP. The effective date of the transaction was January 1, 2026, when the Corporation assumed full control. Juno OTC is a leading supplier in the Canadian private label consumer healthcare over the counter ("OTC") market providing key Canadian retailers with core product offerings under the retailers' own recognized private label brands and strategic new opportunities to build mutual business. Juno OTC revenues will be presented as a new Private label revenue segment.

Consideration paid for the shares consisted of cash consideration of \$2,500, and equity consideration of \$2,000 paid through the issuance of 5,509,642 Class "A" common shares of the Corporation (see note 8(a)). The acquisition agreement also included a post-closing working capital adjustment payable on January 1, 2027, and is included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

Estimated fair value	
Base consideration:	
Consideration on closing	
Cash consideration for outstanding shares	2,500
Equity consideration for outstanding shares	2,000
Total consideration on closing	4,500
Post-closing working capital adjustment	500
Total consideration	5,000

The fair value of trade and other receivables acquired as part of the business acquisition amounted to \$1,533 with a gross contractual amount of \$1,533. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

to nil. The excess of the fair value of net assets acquired resulted in a recognition of \$2,283 of Goodwill presented on the Consolidated Statement of Financial Position.

The fair value of the consideration transferred, and the net identifiable assets acquired were determined based on the Corporation's assumptions and estimates. Accounts receivables were recognized at fair value, which does not differ from their gross contractual value and expected receipts. Inventories are measured at their net realizable value, which corresponds to the estimated selling price less the estimated costs necessary to make the sale. The Corporation has not finalised the identification of acquired intangible assets as of March 31, 2026.

The following is a summary of assets acquired, liabilities assumed, and the consideration transferred: Estimated fair value

	Estimated fair value
Assets acquired:	
Accounts receivable	1,533
Inventories	4,782
Prepaid expenses	213
Property, plant and equipment	6
Goodwill	2,283
Intangible assets	790
	9,607
Liabilities assumed:	
Accounts payable and accrued liabilities	4,607
	4,607
Total net assets acquired, and liabilities assumed	5,000
Total consideration on closing	4,500
Post-closing working capital adjustment (balance of sale)	500
Total consideration for the outstanding shares acquired	5,000

5. Revolving credit facility

On June 27, 2025, the Corporation entered into a revolving credit facility agreement with Caisse Desjardins des Patriotes. The maximum amount available was \$7,500, subsequently increased to \$11,000 in February 2026 and is secured by movable hypothecs on the assets of all entities excluding Juno OTC, including accounts receivable and inventory. The amount drawn under this facility as at March 31, 2026 was \$7,180.

As part of the acquisition of Du-Var the Corporation entered into a revolving credit facility with the Royal Bank of Canada. The maximum amount available was \$1,200 and was based on a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at March 31, 2026, was \$1,095. This facility has been subsequently repaid (see note 14).

6. Long-term debt

As at:	March 31, 2026	December 31, 2025
Secured loan from BDC-1 (i)	4,385	4,429
Secured loan from BDC-2 (ii)	4,764	4,754
Secured loan from Desjardins (iii)	4,593	4,706
Unsecured convertible debentures (iv)	10,732	10,677
Term loan Investissement Quebec (v)	771	815
Current	1,466	863
Non-current	23,779	24,518
Total	25,245	25,381

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

(i) Secured BDC loan-1

On December 20, 2024, the Corporation secured a loan of \$5,000 with the Business Development Bank of Canada (BDC). An initial disbursement of \$4,500 was made in December 2024 with the remaining \$500 received in April 2025. The Corporation incurred transaction costs of \$79. The loan bears interest of BDC base rate +1.5% and can be reduced up to 2.5% based on certain financial criteria. A first criteria was met, and the rate was reduced by 1.5% as of June 2025. The loan is guaranteed by immovable and movable property of Steri-Med and is jointly guaranteed by all entities of the Corporation. The loan matures December 2049, with monthly installments of \$17.

(ii) Secured BDC loan-2

On June 27, 2025, the Corporation secured an additional \$5,000 loan with the BDC, this loan is pari-passu with the Secured Desjardins loan (see note 6 (iii)). The Corporation incurred transaction costs of \$105. The loan bears interest of BDC base rate +2.0% subject to interest rate reduction based on certain milestones. A first criteria was met, and the rate was reduced by 0.75% as of October 2025. The loan is guaranteed by movable property of all entities, immovable property of the Virage Sante Inc. and is jointly guaranteed by all entities of the Corporation. The loan matures June 2050, with monthly installments of \$53 beginning July 2026, and lowering to monthly installments of \$3 as of June 2033.

(iii) Secured Desjardins loan

On June 27, 2025, the Corporation secured a \$5,000 loan with the Caisse Desjardins des Patriotes, this loan is pari-passu with the Secured BDC loan- 2 (see note 6 (ii)). The Corporation incurred transaction costs of \$105. The loan bears interest of prime rate + an average of 0.8% subject to interest rate reduction based on certain milestones and is guaranteed by movable property of all entities, immovable property of the Virage Sante Inc. and is jointly guaranteed by all entities of the Corporation. The loan is payable over an average of 12 years, with current monthly installments of \$40.

(iv) Unsecured convertible debentures:

On December 23, 2025, the Corporation completed a brokered private placement through the issuance of 12,000 unsecured convertible debentures for gross proceeds of \$12,000 (the "Debentures"). The Corporation incurred transaction costs of \$739 including fair value of 400,000 broker warrants issued of \$36. referred to as "Broker Warrants – debentures").

The Broker Warrants – debentures are exercisable to acquire one Class A Share of the Corporation at a price of \$0.45 for a period of 24 months from the date of issuance.

Each Debenture will, at the option of the holder, be convertible in its entirety into Class A shares of the Corporation at any time following the date that is four months and a day after the Closing Date at a conversion price of \$0.45, until the close of the earlier of (i) the last business day immediately preceding December 31, 2029 (the "Maturity Date"), and (ii) the business day immediately preceding the date fixed for redemption of the Debentures by the Corporation, if any.

The Debentures will be redeemable during the period beginning twenty four (24) months after the Closing Date, at the Corporation's option, at a price equal to (i) 105% of the principal amount plus accrued and unpaid interest if redeemed prior to thirty six (36) months following the Closing Date, and (ii) 104% of the principal amount plus accrued and unpaid interest if redeemed after thirty six (36) months following the Closing Date but prior to the Maturity Date.

The Debentures are payable on the Maturity Date in cash subject to any prior conversion or redemption. The outstanding principal amounts bears interest at the rate of 10% per year payable in cash semi-annually on the last day of June and December of each year with the first payment on June 30, 2026.

The conversion option, net of related issuance costs, has been recorded in shareholders' equity for an amount of \$593. Factoring in the issuance costs, the effective interest rate on the Debentures is 14.12%.

The redemption feature was identified as an embedded derivative financial instrument measured at FVTPL. The Corporation utilized a binomial tree based stochastic interest rate model to determine the fair value of the redemption feature. As at March 31, 2026, the redemption feature had no significant value.

(v) Term loan Investissement Quebec:

As part of the Du-Var acquisition (see note 4) the Corporation acquired a term loan with Investissement Quebec. The loan bears interest at 0% and is payable in monthly installments of \$20. The loan matures December 31, 2029, and is guaranteed by movable property of Du-Var. The loan is presented using an effective interest rate of 7.14%.

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

7. Notes payable

	Three months ended March 31, 2026	Year ended December 31 2025
Balance, beginning of year	2,040	3,621
Additions	-	2,024
Conversion	-	-
Accrued interest & accretion	2	21
Repayment net of transaction costs	-	(3,626)
Total	2,042	2,040

As at March 31, 2026, long-term notes payable include \$1,063 (\$1,084 as at December 31, 2025) due to related parties (see note 11).

8. Share capital and warrants

(a) Share capital

Class A Shares ("Class A")

The Corporation is authorized to issue an unlimited number of voting Class A shares with no par value. These shares give the holder the right to receive, after Class B shareholders, any dividend declared by the Board of Directors of the Corporation.

During 2025, the Corporation completed a private placement financing resulting in the issuance of share units ("units"), as well as an acquisition resulting in the issuance of shares. The following table summarizes the key information related to each transaction:

Date	Name	Consideration	Amount \$	Number of units/shares
September 2, 2025 ⁽¹⁻³⁾	September 2025 Financing	Cash	2,275	5,687,500
December 23, 2025 ⁽⁴⁾	Acquisition Juno OTC	Acquisition	2,000	5,509,642
Total 2025			4,275	11,197,142

- All units were issued at a price of \$0.40 per unit
- Each unit consists of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant
- The warrants issued in September 2025 had a term of 24 months, and an exercise price of \$0.70.
- The Corporation issued the shares in relation to the acquisition of Juno OTC (see note 4)

Class B Shares ("Class B")

The Corporation is authorized to issue an unlimited number of non-voting Class B shares. The holders of Class B shares have the right to receive a dividend fixed by the Board of Directors of the Corporation and to receive, upon a liquidation or dissolution event, a reimbursement for these shares (along with any unpaid and declared dividend) before the holders of Class A shares. However, these shares do not allow any supplemental participation to the Corporation's income or assets. There are no Class B shares issued.

(b) Warrants

As part of the September 2025 Financing, 5,687,500 warrants were issued entitling the holder to acquire one (1) Class A common share at a price of \$0.70 for a period of 24 months. The Corporation also issued 59,375 compensation warrants entitling the holder to acquire one (1) Class A common share at a price of \$0.70 for a period of 18 months.

As part of the Unsecured convertible debentures financing, the Corporation issued 400,000 broker warrants entitling the holder to acquire (1) Class A common share at a price of \$0.45 for a period of 24 months.

The fair value for all warrants were determined using the Black-Scholes option pricing model and based on the following weighted average assumptions.

Weighted average	2025 Private placement warrants	2025 Compensation warrants	2025 Broker warrants
Fair value at grant date	0.04	0.07	0.09
Share price at grant date	0.39	0.39	0.36
Exercise price	0.70	0.70	0.45
Risk-free interest rate	2.7%	2.7%	2.6%
Expected volatility	47.5%	73.2%	57.3%
Expected life	2.0 years	1.5 years	2.0 years

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

Changes in the number of warrants and compensation warrants since January 1, 2025, were as follows:

	Date of Issuance	Warrants	Compensation/Broker warrants	Weighted average exercise price
Balance, January 1, 2025		35,599,099	524,560	0.70
Granted				
September 2025 Financing	September 2, 2025	5,687,500	59,375	0.70
Unsecured convertible debentures	December 23, 2025	-	400,000	0.45
Expired		-	(488,060)	0.70
Balance, December 31, 2025		41,286,599	495,875	0.70
Expired		-	(36,500)	0.70
Balance, March 31, 2026		41,286,599	459,375	0.70

(c) Share-based compensation

On January 31, 2022, the Corporation implemented an incentive stock option plan (the "Plan") for key employees, directors and consultants to participate in the growth and development of the Corporation by providing such person the opportunity, through stock options, to purchase Class A common shares of the Corporation. The Plan provides that the aggregate number of shares reserved for issuance, set aside and made available for issuance may not exceed 10% of the Corporation's issued and outstanding Class A common shares. The maximum number of options which may be granted to any key employees or directors shall not exceed 5% of the issued Class A common share, calculated at the date the option is granted. The maximum number of options which may be granted to any consultants shall not exceed 2% of the issued Class A common share, calculated at the date the option is granted. The plan was subsequently revised on June 28, 2024.

The Plan is administered by the Board of Directors of the Corporation, who has full and final authority with respect to the granting of all options thereunder. The exercise, the vesting and the price of any options granted under the Plan shall be determined by the Board of Directors, subject to any applicable regulations or policies. Under the Plan, all options expire 10 years from the grant date.

Subject to certain exceptions, if an employee, director, officer, consultant ceases to hold office or provide consulting services, options granted to such a holder under the Plan will expire 90 days after the holder ceases to hold office or such earlier date as the Board of Directors may decide at the date the options were granted. Notwithstanding the foregoing, in the event of a termination for cause of an option holder, all unexercised options held by such option holder shall immediately expire.

Changes in the number of outstanding options since January 1, 2025, were as follows:

	Number of options	Weighted average exercise price
Options outstanding, January 1, 2025	7,645,270	0.62
Granted		
January 17, 2025	625,000	0.37
March 21, 2025	160,000	0.37
April 1, 2025	500,000	0.37
Cancelled during 2025	(75,000)	0.37
Options outstanding December 31, 2025	8,855,270	0.58
Granted		
February 03, 2026	960,000	0.37
Cancelled during 2026	(250,000)	0.52
Outstanding options, end of period	9,565,270	0.63

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

As at March 31, 2026, 7,885,090 options were exercisable (7,565,090 as at December 31, 2025). The fair values of the options granted since January 1, 2025, have been determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average	2026 Grants	2025 Grants
Fair value at grant date	0.22	0.18
Share price at grant date	0.52	0.34
Exercise price	0.52	0.37
Risk-free interest rate	3.0%	2.7%
Expected volatility	44.2%	59.9%
Expected life	5 years	5 years
Contractual life	10 years	10 years

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period equal to the expected life. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on best estimate, management applied the estimated forfeiture rate of 0% (December 31, 2025 – 0%) in determining the share-based compensation expenses recorded in the statement of loss.

The share-based compensation expense recorded under the plan in the consolidated statements of loss and comprehensive loss was \$14 for the three months ended March 31, 2026 (2025 - \$14). The options outstanding as of March 31, 2026, have an average remaining contractual life of 8.2 years.

9. Finance expenses

	Three months ended March 31,	
	2026	2025
Interest expense on long-term debt	359	201
Interest expense on convertible debt	300	90
Interest on notes payable (including paid to related parties)	67	158
Interest expense on revolving credit facility	81	6
Other finance expense	74	68
Interest expense on lease liabilities	101	65
	982	588

10. Additional information on the consolidated statements of loss and comprehensive loss

	Three months ended March 31,	
	2026	2025
Included in cost of goods sold		
Employee salaries and benefits	3,578	2,431
Depreciation and amortization	732	436
Included in selling expenses		
Employee salaries and benefits	136	41
Included in administrative expenses		
Employee salaries and benefits	510	747
Depreciation and amortization	84	35

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

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11. Transaction with related parties and shareholders

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

	Three months ended March 31,	
	2026	2025
Expenses		
Salaries, benefits, bonus, consulting and board fees	316	256
Interest earned on notes and debentures	103	41
Share-based compensation	11	14

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

	Notes	March 31, 2026	December 31, 2025
Liabilities:			
Key management personnel and Directors			
Convertible Debentures and accrued interest		4,100	4,000
Director fees included in accrued liabilities		19	53
Company controlled by key management personnel			
Notes payable, and accrued interest	1,2	1,444	1,441

Note 1: Between December 2023 and March 2026, the Corporation borrowed various amounts from a company controlled by key management personnel bearing interest at 10-12% and repayable on or prior to February 1, 2028.

Note 2: 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 (see note 7).

12. Basic and diluted loss per share:

The calculation of basic and diluted loss per share has been based on the following:

	Three months ended March 31,	
	2026	2025
Net loss	(2,817)	(155)
Issued common shares (end of period)	126,729,818	115,532,676
Weighted average number of common shares (basic)	126,729,818	115,532,676
Weighted average number of common shares (diluted)	126,798,964	115,532,676
Loss per common share (basic & diluted)	(0.02)	(0.00)

13. Additional cash flow information:

The following details the change in non-cash operating working capital items:

	Three months ended March 31,	
	2026	2025
Accounts receivable	325	(279)
Inventories	(176)	(2,557)
Prepaid expenses	(71)	397
Accounts payable and accrued liabilities	(1,812)	1,038
Balance of sale - acquisition (see note 4)	(500)	-
Net change in non-cash operating working capital items	(2,234)	(1,401)

14. Subsequent events:

a) In April 2026 the Corporation repaid the totality of Du-Var's \$1,200 operating line of credit.