LSL LABORATORY INC.

Management's Discussion and Analysis for the year ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of LSL LABORATORY INC. ("LSL" or the "Company") for the years ended December 31, 2022 and December 31, 2021. This document should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended on December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. This discussion and analysis document was prepared by management from information available as at May 1st, 2023. Further information is available online on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

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

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

Adjusted Gross Profit is defined as Gross Profit from product sales less the amortization charges related to the intangible assets and property, plant and equipment and costs related to shut down and plant upgrades. Management believes that Adjusted Gross Profit better reflects the cash impact of the profit contribution.

EBITDA is defined as net profit or loss adjusted for income tax expense, depreciation of property, plant and equipment, amortization of intangible assets, interest on short and long-term debts and other financing costs such as foreign exchange gain or losses, interest income and other. Management uses EBITDA to assess the Company operating performance.

Adjusted EBITDA is defined as EBITDA adjusted for research and development expenses, recruitment costs and employee severances, and special professional fees and other expenses related to the listing of the Company on TSX Venture. We use Adjusted EBITDA as a key metric in assessing our business performance when we compare results to budgets, forecasts, and prior years. Management believes Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, as it removes cash flow fluctuations caused by unusual changes in working capital.

A reconciliation of Gross Profit to Adjusted Gross Profit, as well as net loss to EBITDA and Adjusted EBITDA are described in the following tables.

This MD&A was approved by the LSL Board of Directors on May 1st, 2023.

FINANCIAL HIGHLIGHTS
Selected financial information

Year ended	**December 31, 2022**	December 31, 2021
	$	$
Information derived or computed from the consolidated financial statements of net loss and comprehensive loss		
Revenues	**8,214**	8,771
EBITDA (Loss)	**(6,135)**	909
Adjusted EBITDA	**1,521**	2,049
Loss before income taxes	**(8,062)**	(1,629)
Net loss	**(8,062)**	(1,777)
Information from the consolidated statements of financial position		
Current assets	**4,394**	6,476
Total assets	**27,312**	29,030
Current liabilities	**11,367**	7,255
Long-term debt excluding lease liabilities	**7,742**	7,977
Shareholders' equity	**5,641**	11,113

Adjusted Gross Profit Reconciliation

The following table presents a reconciliation of the Gross Profit to Adjusted Gross Profit for the year ended December 2022 as compared to the year ended December 31, 2021.

Year ended	**December 31, 2022 $**	December 31, 2021 $
Revenues	**8,214**	8,771
Gross profit (Loss)	**(2,172)**	2,525
Gross profit % to revenues	**(26.4%)**	28.8%
Adjustments		
Depreciation and amortization	**1,047**	974
Costs related to shutdown and plant upgrades	**4,530**	-
Adjusted Gross Profit	**3,405**	3,499
Adjusted Gross Profit % to revenues	**41.5%**	39.9%

Adjusted EBITDA Reconciliation

The following table provides a reconciliation of net loss to EBITDA (Loss) and Adjusted EBITDA for the fiscal year 2022 as compared to the fiscal year 2021:

Year ended	**December 31, 2022 $**	December 31, 2021 $
Net loss	**(8,062)**	(1,777)
Income tax expense	**–**	148
Net financial expenses	**880**	1,564
Depreciation and amortization	**1,047**	974
EBITDA (Loss)	**(6,135)**	909
% / Sales	***-74.7%***	*10.4%*
Professional fees and other expenses related to the listing of the Company on TSX Venture	**2,161**	1,140
Costs related to shut down and plant upgrades	**4,530**	–
Recruitment costs and employee severances	**295**	–
Research and development expenses	**670**	–
Adjusted EBITDA	**1,521**	2,049
% / Ventes	***18.5%***	*23.4%*

Transaction with related parties and shareholders

(a) Transactions with related parties:

Key management personnel include the Chief Executive Officer, Chief Financial Officer, Vice-Presidents and Officers.

The following table presents the compensation of key management personnel recognized in the consolidated statements of loss and comprehensive loss:

	December 31, 2022 $	December 31, 2021 $
Short-term employee benefits	**1,065**	785

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

	December 31, 2022 $	December 31, 2021 $
Assets		
Advance receivable from Îledor included in accounts receivable in relation to expenses paid by the Company on behalf of Îledor	**192**	106
Amount receivable from a company managed by an officer of the Company included in accounts receivable	**19**	–
Advance receivable from related parties	**–**	255
Liabilities		
Advances payable to key management personnel included in advances payable to shareholders	**292**	–
Amounts of Debentures held by key management personnel of the Company and recorded in long-term debt	**1,150**	1,150
Revenues		
Revenues from company managed by an officer of the Company	**172**	–

Going concern

This MD&A has been prepared on the going concern basis, which presumes 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 from operations for the years ended December 31, 2022 and 2021, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at December 31, 2022. In addition, the Company is in breach of a financial covenant under one of its debt obligations on December 31, 2022.

The Company's business plan is dependent upon generating positive cash flows, the continued financial support of its shareholders and lenders and/or raising additional funds to finance operations within and beyond the next 12 months. The Company has relied upon external financing to fund its operations in the past, primarily through the issuance of debt and equity, as well as from government assistance and investment tax credits. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue operating as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

If the Company is unable to realize its projected revenues and generate positive cash flows from operations and/or obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations (refer to note 23, "Subsequent events", for information in relation to the reverse takeover and private placement).

Refer to the Subsequent events section for information in relation to the reverse takeover and private placement.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material.

Liquidities

Year ended	**December 31, 2022 $**	December 31, 2021 $
Cash	**-**	741
Accounts receivables	**1,231**	1,440
Inventories	**2,957**	4,166
Prepaid expenses and deposits	**226**	149
Accounts payable and accrued liabilities	**6,118**	3,718
Short term financing and current portion of long-term debt	**5,250**	3,537
Working capital	**(6,973)**	(779)

The cash position as at December 31, 2022 was negative compared to the cash position for the same period in 2021 which was $741. The net loss for 2022 is $8,062 combined with investing activities for acquisitions and deposits on property, plant and equipment for $997 mainly caused this reduction in liquidities. LSL managed this reduction in liquidities by issuing new share capital for $2,717, obtaining advances from shareholders for $2,247 and issuing various debts for $1,363.

In March 2023, LSL completed an RTO which included a private placement of $8,361. A portion of the private placement was used to restore LSL's liquidity.

For the next few quarters, LSL expects to generate positive EBITDA. This will help improve liquidity. Management does not anticipate significant CAPEX for 2023 unless adequately funded to preserve cash.

Should the need arise, LSL's management would proceed with another capital raising to restore its liquidity level.

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 Company to control or predict, that may cause the Company’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.

Use of judgments and estimates:

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. 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 judgments and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues, and expenses are discussed in Note 4 of the Company's 2022 audited annual consolidated financial statements.

Subsequent events

Reserve takeover and private placement

On December 22, 2022, LSL Laboratory Inc. entered into an agreement with Îledor, pursuant to which Îledor completed, effective February 22, 2023, an arm's length Change of Business in accordance with the policies of the TSX Venture Exchange through a reverse takeover with LSL Laboratory Inc. (the "RTO"). Prior to the completion of the RTO, Îledor consolidated its Class A common shares (the "Common Shares") on the basis of one (1) post-consolidation Common Share for every twenty-five (25) pre-consolidation outstanding Common Shares (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".

In connection with the RTO, the following transactions occurred.

- Acquisition by Îledor of all of the outstanding shares and securities of LSL Laboratory Inc. for a total consideration of $47,662 by way of 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 subscription rights 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 RTO;
- 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 aggregate gross proceeds of $8,216 (the "First Tranche Private Placement") and, on March 13, 2023, a second tranche of 207,143 Units for aggregate 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. A total of $464 in cash and 662,818 broker warrants were paid as commissions for the First Tranche Private Placement and a total of $6 in cash and 8,000 broker warrants were paid as commissions for the Second Tranche Private Placement, where each such 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 offering;
- A stock option plan was established by the Resulting Issuer;
- Following the RTO and the Private Placement, there were 82,433,578 issued and outstanding Common Shares (post-Consolidation) of LSL Pharma Group Inc., of which the former common shareholders of LSL Laboratory Inc. controlled a majority.

For accounting purposes, it has been determined that Îledor was the accounting acquiree and LSL Laboratory Inc. was the accounting acquirer as the shareholders of LSL Laboratory Inc. now control LSL Pharma Group Inc., based upon the guidance in IFRS 10, *Consolidated Financial Statements*, and IFRS 3, *Business Combinations*, to identify the accounting acquirer.

For the year ended December 31, 2022, there were $425 of expenses incurred in relation to the upcoming RTO.

Repayment of long-term debt

Following the completion of the RTO, the Company repaid the First advance payable to Finaccès Capital inc. for an amount of $2,100 as well as a portion of the Third advance payable to Finaccès Capital inc. for an amount of $500.

The table below provides additional information that incorporates the net impact of the February 22, 2023 reverse takeover and private placement.

Proforma balance sheet

	December 31, 2022 **$**
Cash and cash equivalent	**4,681**
Other current assets	**4,394**
Long-term assets	**22,918**
Current liabilities	**10,764**
Long-term debt	**7,704**
Working capital	**(1,689)**
Shareholders' equity (82,433,578 shares outstanding)	**13,525**

Operating results

Sales at December 31, 2022 were $8,214 versus sales of $8,771 for the same period in 2021, a decrease of approximately 6.5%. This decrease is primarily due to supply issues that began in 2021 and continued for much of 2022. The supply issues forced LSL to shift some sales from fiscal year 2022 to fiscal year 2023. LSL estimates that over $1.4M of 2022 sales (purchase orders on hand) had to be deferred to 2023 due to the lack of availability of certain raw materials and packaging components. The net loss after tax was ($8,062) compared to a net loss after tax of $1,777 in 2021.

The net loss as at December 31, 2022 was $8,062 after special professional fees and other expenses related to the listing of the Company on TSX Venture of $2,161, costs of $4,530 related to the Steri-med division's production shutdown and plant upgrades due to a supply issue and depreciation of $1,047, cost of $295 related to recruitment and employee severances and cost of $670 related to research and development expenses. The Adjusted EBITDA at December 31, 2022 was $1,521 or 19% of sales. At the same date in 2021, Adjusted EBITDA was $2,049 or 23% versus sales.

The operating loss is explained by three important elements. First, the significant expenses caused by the LSL reverse takeover transaction (RTO). Expenses of $2,161 are directly and indirectly related to the RTO with Îledor and are presented as Transaction costs related to revers take over and administrative expenses in the Consolidated Statements of Loss and Comprehensive Loss. Secondly, as explained above, sales were lower than usual due to the generalized supply problem in the pharmaceutical industry combined with a production shutdown at the Steri-Med division.

LSL management took advantage of this production slowdown to make certain improvements to its equipment and production processes. Steri-Med has upgraded some of its equipment, the cost of which has not been capitalized as it did not meet this capitalization criteria. Management estimates that approximately $1,300 was spent on premises and various equipment. Also, since the first quarter of 2022, Steri-Med has been reviewing some of its production processes and procedures. This review has led to the implementation of new manufacturing processes with the help of external consultants specialized in lean manufacturing. This other expense is evaluated by management at approximately $800. Also, $670 was spent on product development that did not meet the capitalization criteria, which will only start to be sold in 2024. In conclusion, management is confident that the actions described above, although costly in 2022, will yield significant benefits in the months and years to come. Management estimates these total expenses for 2022 to be more than $7,656. Thus, by removing these expenses, the loss would have been less than $410 with a positive Adjusted EBITDA of $1,521 (see Adjusted EBITDA table).

The loss in 2022 is also explained by the drop in sales linked to a supply problem. This supply problem resulted in a near-complete shutdown of Steri-Med's production over a period of nearly 9 months (mid-March - end of November 2022). The Steri-Med plant was forced to a major slowdown of its production due to a worldwide shortage of "sterile production filter". This supply being essential to Steri-Med's activities, this has led to a decrease in production and a decrease in inventories. The drop in sales is not due to a drop in demand but to a slowdown in production due to the worldwide supply problem.

LSL's gross margin has decreased from 29% or $2,525 on December 31, 2021 to a negative gross margin of $2,172 or -26% in 2022. The degradation of the gross margin was caused by the above-mentioned elements.

In 2022, sales and administration expenses increased to $3,915, an increase of 47.8% over the year 2021 ($2,591). This increase in expenses was caused by the addition of much needed resources in order to support the strong sales growth experienced and expected by LSL and more importantly, future growth. LSL has deployed an aggressive growth plan for the coming years that must be well articulated around a seasoned management team. As for financial expenses, they have decreased by more than 44% from $1,564 in 2021 to $880 in 2022. This decrease is due to the refinancing of LSL's debt at more advantageous rates.

Financial Position – December 31, 2022

LSL's working capital on December 31, 2022 is negative at $6,973 or 0.39:1.00 which is down from 0.89:1.00 in 2021 or $779. As of December 31, 2022, LSL's primary current assets are accounts receivable totaling $1,231 and inventory for $2,957. LSL's accounts receivable are all of good to very good quality. They are composed of large pharmaceutical distributors, large pharmacy chains and some smaller distributors. The inventory is mainly composed of raw materials and packaging products (47%), finished goods (43%) and work in progress (10%). Due to the nature of the inventory, there is little or no obsolescence and little risk in this area. LSL maintains a provision for obsolescence on its total inventories ($90 in 2022) mainly for possible impairment of raw materials and packaging products.

Non-current assets as at December 31, 2022 amount to $22,918. Of this amount, nearly $13,916K ($12,886 in 2021) consists of a land and a building ($4,195) and various manufacturing equipment ($6,308) and asset under construction ($1,769). LSL also has $8,981K ($9,393 in 2021) in intangible assets, which represent everything related to product formulas and customer relationships following the acquisition of Steri-Med.

On the liabilities side of LSL's balance sheet, the main current liabilities as at December 31, 2022 are accounts payable totaling $6,118 ($3,718 in 2021). Relationships with LSL's main suppliers are good. The short-term revolving credit (line of credit in factoring for $1,042 and inventory financing for $493) is fluctuating well. LSL is currently negotiating with several Canadian chartered banks for a traditional line of credit. The current portion of the long-term debt and lease liabilities totals $1,714.

LSL's long-term liabilities amount to $10,303 as at December 31, 2022 ($10,663 in 2021) and represent the estimated fair value of the long-term debt principal. The long-term debt was used primarily to finance the Company's acquisition of capital assets and the acquisition of Steri-Med on July 31, 2021.

Shareholders' Equity

Shareholders' equity amounted to $5,641 as at December 31, 2022 compared to $11,113 in 2021. This decrease in shareholders' equity of $5,472 during the fiscal year ended December 31, 2022, is explained by the loss incurred in 2022.

For the years ended December 31, 2022 and 2021 respectively, share capital and warrants amounted to $15,402 in 2022, compared to $12,812 in 2021. Deficit amounted to $9,762 in 2022 compared to $1,699 in 2021.

Risk factors

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

Financial Risks

(a) Credit risk:

Credit risk refers to the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's exposure to credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk related to its cash and cash equivalents is limited given that the Company deals with major North American financial institutions.

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses. Management believes the credit risk is limited for its accounts receivable because the Company deals with major North American clients that are well known in the pharmaceutical market. The Company continues to collect all of its receivables.

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

Year ended	**December 31, 2022** **$**	December 31, 2021 $
Current		
31-60 days past due	**742**	718
61-90 days past due	**130**	355
91-120 days past due	**95**	23
Over 120 days past due	**62**	150
	1,029	1,246
Loss allowance	**(40)**	(40)
Balance, end of period	**989**	1,206

As at December 31, 2022, 73% (December 31, 2021 - 5%) of accounts receivable are concentrated with five clients (December 31, 2021 - one client). For the year ended December 31, 2022 five clients represented 76% of total revenues (four clients representing 69% of revenues for the year ended December 31, 2021). The Company does not require a guarantee.

(b) Liquidity risk:

Liquidity risk refers to the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders. The Company's policy is to ensure adequate funding is available from operations and other sources as required. (Refer to note the Going concern section).

The following are the contractual maturities of financial obligations, under the lending agreements, including interest:

				As at December 31, 2022	
	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and other liabilities	6,118	6,118	6,118	-	-
Other financial liabilities	1,536	1,791	1,791	-	-
Long-term debt, including current portion	9,320	10,691	1,895	8,796	-
Lease liabilities, including current portion	2,697	3,673	264	1,373	2,036

					As at December 31, 2021
	Carrying Amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and other liabilities	3,718	3,718	3,718	-	-
Other financial liabilities	1,457	1,571	1,591	-	-
Long-term debt, including current portion	9,870	10,913	2,052	8,861	-
Lease liabilities, including current portion	2,873	3,985	305	1,052	2,629

Capital management

The Company’s capital is composed of shareholders' equity and long-term debt. The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on equity financing, and long-term debt. Refer the Going concern section.

The Company is not subject to any capital requirements imposed by a regulator.

(c) Interest rate risk:

A portion of the Company's long-term debt and its revolving credit facility (refer to note 12) bear interest at variable rates. As a result, the Company is exposed to interest rate risk due to fluctuations in the bank prime rate.

(i) Sensitivity analysis for interest rate risk:

An increase or decrease of 100 basis points in the interest rate would have an impact of ($31) on the Company’s consolidated net loss for the year ended December 31, 2022 (2021 - $18,9).

(ii) Fair value measurement:

The Company has determined that the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolving credit facility, other financial liabilities and advances payable to shareholders approximate their respective carrying amounts at the consolidated statement of financial position date, due to the short-term maturity of those instruments.

The Company determined that the fair value of its long-term debt approximates their carrying amount as they bear interest similar to market interest rates for financial instruments with similar terms and risks, with the exception to the secured debentures which fair value approximates $4,000,000.

Fair value of First advance payable to Finaccès Capital Inc. was determined using Level 3 inputs. The valuation technique used in determining the fair value of the First advance to Finaccès Capital Inc. is the effective interest method taking into consideration the probabilities of the occurrence of a liquidity event which main inputs include effective interest rate and the probabilities of the occurrence of a liquidity event.

The movement in the First advance payable to Finaccès Capital inc. is as follows:

	$
Balance at January 1, 2022	-
Initial measurement	1,899
Changes in fair value (note 15)	152
Fair value as at December 31, 2022	2,050

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Dividends

The board of directors of LSL has not adopted a dividend policy. There are no restrictions in the articles and by-laws of LSL that would prevent LSL from paying dividends.

Use of Judgments and Estimates

The preparation of the Company's audited consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The following are critical estimates and judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of non-financial assets:

At each reporting date, if any indication of impairment exists for property, plant and equipment (including right-of-use assets) and intangible assets, the Company performs an impairment test to determine if the carrying amounts are recoverable. The impairment review process is subjective and requires significant estimates throughout the analysis.

(b) Fair value used in measurement of financial liabilities:

Certain financial liabilities require significant estimates in order to determine the fair value at initial recognition and subsequent measurement. When measuring fair value, the Company shall take into account the characteristics of the liability if market participants would take those characteristics into account when pricing the liability at the measurement date.

(c) Determination of useful lives of long-lived assets:

Management estimates the expected useful lives of long-lived assets in order to calculate depreciation and amortization of long-lived assets. The amounts and timing of recorded expenses for depreciation and amortization of long-lived assets are affected by these estimated useful lives. The estimates are reviewed each year and are updated if expectations change. Changes in useful lives can cause significant modifications in the estimated period over which the long-loved assets are depreciated and amortized and the related depreciation and amortization expense in the future.

(d) Deferred income tax:

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. For the year ended December 31, 2022, the Company determined that it is not probable that deferred tax assets will be realized in the future.

Significant Accounting Policies

The significant accounting policies applied in this MD&A are the same as those applied by the Company in the audited consolidated financial statements for years ended December 31, 2022 and 2021.

Standards issued but not yet effective:

Accounting standards and interpretations issued but not yet applied

Classification of liabilities as current or non-current ("Amendments to IAS 1")

On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current (the "2020 amendments"). On October 31, 2022, the IASB issued Non-current Liabilities with Covenants ("Amendments to IAS 1") ("the 2022 amendments"), to improve the information a Company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively, "the Amendments") are effective for annual periods beginning on or after January 1, 2024. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability's classification at that date. It is not expected that this amendment will have a significant impact on the Company's financial statements.

Disclosure of Outstanding Share Data

The newly public listed Company, LSL Pharma Group Inc. (LPG) has authorized share capital consisting in an unlimited number of Common Shares. As at May 1st, 2023, LPG had 82,433,578 Common Shares outstanding.

In addition:

- 40,584,503 Common Shares issuable upon exercise of Warrants,
- 6,450,000 Common Shares issuable upon exercise of Options (assuming full vesting).