



**LSL PHARMA GROUP INC.**

**Annual Report**

Fiscal year ended on

**December 31, 2025**



**LSL PHARMA GROUP INC.**  
**Management's Discussion and Analysis**

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**Fiscal Year ended  
December 31, 2025**

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## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following document is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of LSL Pharma Group Inc. ("LSL Pharma" or the "Corporation") for the three- and twelve-month periods ended December 31, 2025 and 2024 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended on December 31, 2025, which have been prepared in accordance with *IFRS Accounting Standards* ("*IFRS*"). All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share, units and per share amounts. All other currencies are in the thousand, unless otherwise stated. This MD&A was prepared by management from information available as at April 28, 2025. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Non-IFRS Financial Measures

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

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

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

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

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

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#### Use of Judgments and Estimates

The preparation of the audited consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4 of the Corporation's 2025 audited consolidated financial statements.

#### Cautionary note regarding forward-looking statements

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

#### GLOSSARY TERMS

Calendar & Financial			
CAGR	Compounded Annual Growth Rate	Q3-24	Third quarter FY-24
COGS	Cost of Goods Sold (or Cost of Sales)	Q2-24	Second quarter FY-24
EBITDA	Earnings before Interest Tax Depreciation and Amortization	Q1-24	First quarter FY-24
(A)EBITDA	Adjusted EBITDA	QoQ	Quarter over quarter
FY	Fiscal Year	SBC	Share-Based Compensation
GP	Gross Profit	SG&A	Sales, General and Administrative
LTD	Long-term debt	YE	Year-end
Q4-25	Fourth quarter FY-25	YTD	Year to date
Q3-25	Third quarter FY-25	YoY	Year-over-year results, defined as Current FY results vs last FY results
Q2-25	Second quarter FY-25	W/C	Working Capital, defined as short-term assets less short-term liabilities
Q1-25	First quarter FY-24		
Q4-24	Fourth quarter FY-24		
Corporate & Operations			
CMO	Contract Manufacturing Organization	Juno OTC	Juno OTC inc., our private label subsidiary *
Dermolab	Dermolab Pharma Ltd.	LSL Labs	LSL Laboratory Inc.
Du-Var	Laboratoire Du-Var Inc.	OTC	Over-the-counter (non-prescription drugs)
FDA	United States Food and Drug Administration	RTO	Reverse takeover
Fera	Fera Pharmaceuticals, LLC	SKU	Stock Keeping Unit
HC	Health Canada	Steri-Med	Steri-Med Pharma Inc.
HO	Head Office	TSXV	Toronto Venture Stock Exchange
Îledor	Corporation Exploration Îledor	VSI	Virage Santé Inc.

- ❖ The Corporation is currently assessing the fair value of the assets acquired and liabilities assumed, and the acquisition of Juno OTC will be accounted for as a business combination in 2026.

# LSL PHARMA GROUP INC.

## Management’s Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

### SEGMENT REPORTING

LSL Pharma is an integrated Canadian pharmaceutical company. As of the date of this document, the Corporation has three reportable segments. This reflects our management structure and the way key strategic, operating commercial decisions are made. On January 1, 2026, The Corporation acquired Juno OTC, a private label company, which will represent a third reportable segment.

#### 1) Business segment #1 - CMO activities

LSL Pharma’s first reportable segment represents its contract manufacturing operations (“CMO”) which currently includes four operating entities, namely:

- a. LSL Laboratory, manufacturer of natural health products in solid dosage forms, mainly for third-party pharmaceutical clients, as well as a wide list of private labelled products;
- b. Dermolab, which manufactures liquid and semi-solid pharmaceutical, natural health and cosmetic products;
- c. Du-Var, acquired on November 17, 2025, which manufactures liquid and semi-solid natural health and cosmetic products; and
- d. VSI which manufactures a range of natural products in liquid, powder, as well as in capsule forms, some of which are sold under its own brands or as private labels.

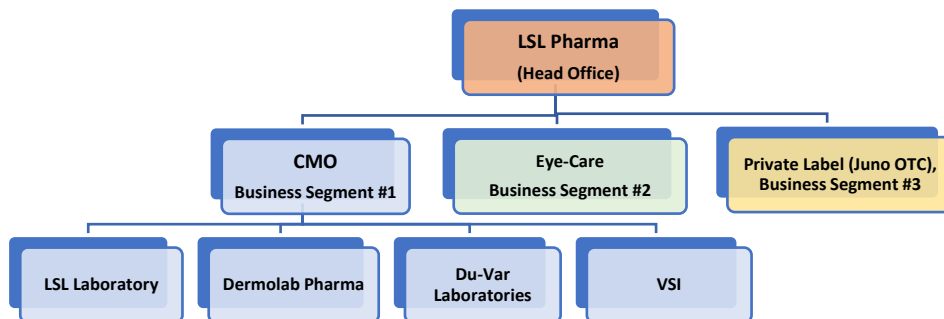
#### 2) Business segment #2 – Integrated Eye-care pharmaceutical company

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

#### 3) Business segment #3 – Private Label Business

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

#### Corporate Structure (as of April 29, 2026)



HO functions are supporting the operating entities of our three (3) business segments, by providing services such as finance, accounting, HR, supply chain management, legal, IT, regulatory, quality assurance oversight, pharmaco-vigilance etc. HO also handles other corporate activities such as investors relation, communication, marketing, banner and wholesaler management. Going forward, the Corporation intends to scale up its CMO activities and generate economies of scale by increasing the leverage of HO services and by incorporating other operating/manufacturing sites. As of the date of this document, the Corporation has 245 full-time employees, including 22 occupying HO functions.

#### Corporate strategy and future development

We are pursuing a two-pronged growth strategy. **FIRSTLY**, we are expanding our CMO activities by adding capacity and complementary services to better support our expanding customer base. We intend to achieve this organically or through acquisitions. **SECONDLY**, we are developing a growing and highly profitable eye-care product portfolio. To achieve this objective, we are developing proprietary high-margin products as well as acquiring commercial rights of differentiated products for the Canadian. By diversifying our product pipeline and securing rights to innovative products we are strengthening relationships with Canadian retail banners to maximize our commercial performance.

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

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

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

#### SEGMENT 1 - CMO OPERATIONS

##### LSL Laboratory

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

##### VSI

Effective June 1, 2024, the Corporation acquired 100% of the controlling interest of VSI. VSI operates a 8 250 sq.ft. plant in Levis, Quebec and manufactures a range of natural products in liquid, powder, sachets, as well as in capsule forms for its clients or sold under its own brand or private labels. LSL Pharma acquired VSI for \$2.5 million subject to post-closing adjustments of \$131, thus reducing the net purchase price to \$2,369. The excess of the fair value of net assets acquired over consideration paid resulted in a recognition of \$157 of Goodwill.

##### Dermolab

Effective December 1, 2024, LSL Pharma expanded its CMO activities by acquiring Dermolab, a CMO based in Ste-Julie, Québec (located 15 km from the LSL Pharma Head Office). Founded in 1985, Dermolab is a leading manufacturer of liquid and semi-solid products for the pharmaceutical and cosmetic markets. The total consideration for the transaction included (i) the renewal of Dermolab's operating line of credit and term loan totaling a maximum of \$3 million, (ii) a cash payment of \$955 on closing, and (iii) a post-closing adjustment of \$0.2 million. The operating line and term loan have since been repaid. The cash portion of the purchase price was financed by the proceeds of a concurrent debt financing. LSL Pharma realized a gain of \$4,864 on acquiring Dermolab.

##### Du-Var

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

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

##### M&A Criteria for expanding the CMO activities

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

Some of the criteria to be used for evaluating business opportunities ("targets") are:

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

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

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

#### Sterile Ophthalmic Ointment Manufacturing Operations - Steri-Med Pharma

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

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

#### **Regulatory Compliance**

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

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

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

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

During the last quarter of FY-25, Steri-Med underwent its biennial Health Canada inspection and was required to implement enhanced operational and administrative procedures to maintain and further strengthen its compliance status.

While the site was allowed to continue non-filling activities, it had to postpone filling activities for a 3-month period (Jan to March 2026) in order to develop the corrective and preventive action plan requested by HC (the "Plan"). Because of this regulatory request, no filling activity took place at the Steri-Med plant during Q1-26 and the financial impact of such production halt will be addressed in our Q1-26 financial reporting. The latter production halt had no impact on sales activity and revenues as our inventory levels for each commercial products were increased in anticipation of the Health Canada inspection.

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

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

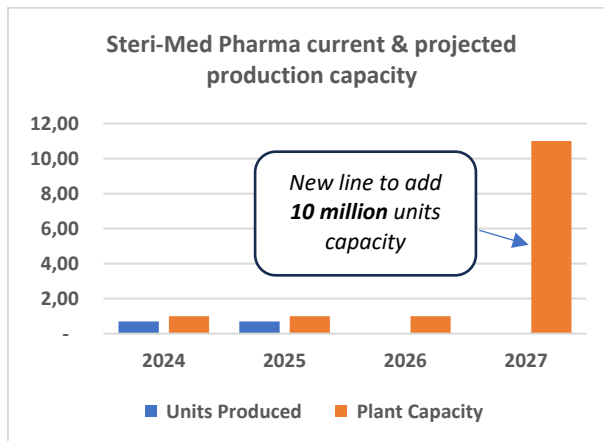
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#### Production Capacity – Capturing the market opportunity

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

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



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

#### Product Pipeline

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

Our commercial pipeline is described below:

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

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

1. IQVIA Data - 2025

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

<b>Format Type</b>	1 gram, and 3.5-gram eye ointment ( <i>Generic</i> )
<b>Commercial / Distribution</b>	Hospital/ retail distribution across all provinces in Canada. Product is offered by all major retail banners
<b>Reimbursement</b>	Listed for public reimbursement in Qc, Manitoba, BC, and NB. Covered by most insurance companies.
<b>Market environment</b>	3 players in Canada – the Corporation enjoys a 30-40% market share
<b>Market Size</b>	Canada - \$8.6 Million <sup>1</sup>
<b>US Market and other countries</b>	Canadian products are accepted in other jurisdictions, including USA when shortages occur. During the second half of FY-23, and early 2024, We supplied 500,000+ units to the US market. The Corporation is also supplying products to foreign clients which are representing a growing % of its revenues.

1. IQVIA Data - 2025

#### US Commercialization / FDA accreditation

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

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#### Avaclyr (acyclovir ophthalmic ointment)

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

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

#### Development pipeline

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

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

The development pipeline is presented below with the next development milestones and timelines for completion.

Products / Projects	Type	Market	Status / Timelines for Completion			
			Development / R&D	Regulatory Filing	Approval	Market
Avaclyr - FERA Pharma	(CMO) Ointment - Rx	USA	→ H2-2026			
SMM-810	Ointment - OTC	Canada / USA	→ H2-2026			
SMS-0200	Ointment - OTC	Canada	→ H1-2026			
SMA-0300	Medical device	Canada	→ H2-2026			
SMT-0400	Ointment - Rx	Canada / USA	→ H1-2027			
SMT-0450	Ointment - Rx	Canada / USA	→ H2-2027			

Aggregate market size for the products under development are estimated in excess of \$200 Million (IQVIA Data). Assuming the successful development and regulatory approval of its product pipeline, revenues from the sales of these products will have a material impact on the Corporation’s revenues going forward.

#### **In-Licensing and commercialisation of Eye-drop products.**

During 2025, the Corporation announced the signing of two agreements to market up to 16 sterile eye drops for the prescription market in Canada. These products will significantly enhance the Eye-care portfolio of Steri-Med Pharma. The commercialization of these new products remains subject to satisfactory due diligence by the Corporation and to regulatory approvals. **To date, Health Canada has already granted marketing approval for 6 products (7 SKU’s).** Other regulatory filings will take place over the coming 12 months, with approval to follow. These initiatives fit with Steri-Med’s overall strategy to establish itself as a Canadian leader in the manufacturing and commercialization of sterile ophthalmic products.

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The table below presents the expected approval and launch date for the current portfolio of eye-drops under license:

Products	Type	Market	Status / Timelines for Completion				Market
			Agreement signed	Due diligence	Filling	Approval	
Latanoprost	Eye drop - Rx	Canada		*** APPROVED ***			H2-2026
Latanoprost + Timolol	Eye drop - Rx	Canada		*** APPROVED ***			H2-2026
Dorzolamide	Eye drop - Rx	Canada		*** APPROVED ***			H1-2026
Dorzolamide + Timolol	Eye drop - Rx	Canada		*** APPROVED ***			H1-2026
Brimonidine 5 mL 0,2%	Eye drop - Rx	Canada		*** APPROVED ***			H1-2026
Brimonidine 10 mL - 0,2%	Eye drop - Rx	Canada		*** APPROVED ***			H1-2026
Olopatadine 0.1%	Eye drop - Rx	Canada		*** APPROVED ***			H2-2026
SHS - B505	Eye drop - Rx	Canada			H2-2026		H2-2027
SHS - B510	Eye drop - Rx	Canada			H2-2026		H2-2027
SHS - B515	Gel - Rx	Canada			H2-2026		H2-2027
SHI - B600	Eye drop - Rx	Canada				H2-2026	H1-2027
SHO - B701	Eye drop - Rx	Canada			H1-2026		H1-2027
SHO - B702	Eye drop - Rx	Canada			H1-2026		H1-2027
SHO - B800	Ear drop - Rx	Canada			H1-2026		H1-2027
SHL - 905	Eye drop - Rx	Canada			H2-2026		H2-2028
SHLT - 910	Eye drop - Rx	Canada			H2-2026		H2-2028

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

### SEGMENT 3 – PRIVATE LABEL – Juno OTC Inc. (acquired on January 1, 2026)

Juno OTC is a leading supplier in the Canadian private label consumer healthcare OTC market providing key Canadian retailers with core product offerings under the retailers' own recognized private label brands and strategic new opportunities to build the mutual business. With a strong legacy in this market, Juno OTC is recognized for providing the highest quality products along with a track record of partnership with these Canadian retailers to build their overall presence and success in consumer healthcare. Juno OTC has all required Health Canada licenses for importing and distributing these products along with tremendous expertise in all areas of Regulatory and Quality Assurance that is required for the Canadian market. Juno OTC adds a pipeline of innovative products to LSL Pharma, including over 40 Health Canada approved OTC drugs, natural health products and medical devices to the LSL Pharma business. With 10 new products expected to be launched over the next 12 months, Juno OTC is rapidly increasing its presence in the pharmaceutical OTC market in Canada. Through this acquisition, LSL Pharma becomes a key supplier to ALL Canadian pharmacy banners, and its revenues will immediately benefit from the existing Juno OTC business. The integration of Juno OTC will enable the Corporation to expand its customer base by adding all leading pharmacy, grocery, mass market, and discount retailers participating in the growing Canadian Consumer Healthcare market. Juno OTC also provides expanded access to new contract manufacturers across a global network of key suppliers offering strategic and innovative product opportunities. We expect Juno OTC to increase LSL Pharma's revenues by approximately \$20M in 2026. Key product categories in JUNO's portfolio and presented below:

Antiacid	Nicotine Gum	Diarrhea	Feminine/Personal Hygiene
Laxatives	Pain	Eye drops	Cold, Cough & Flu
Allergy	Denture	Probiotics	Epsom Salts

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

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

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#### Q4-25 Corporate Highlights

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- **On October 16, 2025**, the Corporation announced the appointment of Mr. Louis Laflamme, a member of the board since April 2025, as independent Chairman of the Board and the appointment of Mr. Nouredine Mokaddem as a new member of the board of directors.
- **On October 28, 2025**, the Corporation announced that Health Canada approved its first six (6) sterile ophthalmic solutions for the treatment of glaucoma and allergies. The commercial launch of these products is expected to begin in the second quarter of 2026. These six (6) ophthalmic products (7 SKU's) have aggregate commercial markets of \$66 million in Canada (IQVIA 2025 data).
- **On November 4, 2025**, the remaining portion of the Secured BDC loan-2 and Secured Desjardins loan were disbursed for total proceeds of \$1.6 million. The proceeds were used to repay \$1.6 million of notes payable, including \$0.1 million due to a key management personnel and \$0.5 million due to a company controlled by key management personnel.
- **On November 17, 2025**, LSL Pharma Group expanded its contract manufacturing activities by acquiring Laboratoire Du-Var Inc. ("Du-Var"). Du-Var adds 30,000 s.f. of manufacturing capacity to the CMO segment and will increase the CMO revenue capacity by more than 25%. Du-Var is highly complementary to Dermolab, acquired at the end of FY-24. This acquisition expands the group development and manufacturing capabilities of liquid and semi-solid products for the pharmaceutical and cosmetic markets.
- **On December 16, 2025**, LSL Pharma Group entered into an arm's length letter of intent with Juno Pharmaceuticals LP to acquire all the outstanding shares of Juno OTC Inc. ("Juno OTC"), a Toronto based wholly owned subsidiary of Juno Pharmaceuticals. (See Subsequent events – January 1, 2026)
- **On December 23, 2025**, the Corporation completed the closing of an initial tranche of a brokered private placement offering of unsecured convertible debentures. The offering was led by Bloom Burton Securities Inc. on behalf of a syndicate including Research Capital Corporation and Leede Financial Inc. The Debentures were issued at a price of \$1,000 per debenture, for \$10 million in gross proceeds. The debenture are convertible at \$0.45 per share, bear interest at 10.0% per annum, payable semi-annually in arrears, and mature on December 31, 2029. The offering was further upsized to \$12 million. The final \$2 million represents a non-brokered portion part, which took place concurrent to the Juno OTC acquisition (See "Subsequent Events"). Agents received a total cash commission of \$0.44 million, and a total of 400,000 broker warrants exercisable for 24 months at a price of \$0.45 per common Share. All securities issued pursuant to the offering are subject to a statutory four months hold period. Mr. Mokaddem, a director of the Corporation, participated in the offering and purchased an aggregate of 4,000 Debentures for gross proceeds of \$4 million.

#### Subsequent Events to YE-25

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- **On January 1, 2026**, LSL Pharma Group completed the acquisition Juno OTC Inc., for a total purchase price of \$5 million, paid as follows:
  - i. \$2.5 million in cash,
  - ii. 5,509,642 Class "A" common shares of the Corporation issued to Juno Pharmaceuticals and representing a \$2 million consideration, and
  - iii. a \$0.5 million balance of sale payable in cash on January 1, 2027 subject to adjustments to reflect variations in working capital, if any.

Note that Juno Pharmaceuticals LLC, the seller, contributed \$1.5 million cash in the \$12 million convertible debenture offering closed on December 23, 2025.

- **On January 28, 2026**, the Corporation announced that the US-FDA granted Fera Pharmaceuticals LLC a marketing approval for the commercialization of Avacyr, an ophthalmic product manufactured by Steri-Med. This triggered the certification of Steri-Med to manufacture ophthalmic ointment for the US market. The certification of the Steri-Med manufacturing facility will enable LSL Pharma to manufacture and potentially commercialize additional ophthalmic ointment products for the U.S. market.
- **On February 3, 2026**, the Corporation granted an aggregate of 960,000 stock options to its non-executive directors and to certain executives and employees, as part of their compensation. The Options have an exercise price of \$0.52 per share and are exercisable for a period of ten (10) years from the date of grant. Options granted to non-executive

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

directors' vest immediately as of the date of grant while options to executives and employees vest over 3 years. The Options were granted in accordance with the Corporation's Stock Option Plan.

- **During the month of February 2026**, the Corporation reached an agreement with Caisse Populaire Desjardins des Patriotes to increase its operating line of credit from \$7.5 million to \$11 million, by leveraging the assets of the recent Du-Var acquisition. Concurrent to the increase of the operating line of credit, the Corporation repaid the totality of Du-Var's \$1.2 million line of credit with Royal Bank of Canada ("RBC"). Net of the RBC repayment, the increase in the line of credit, provides LSL Pharma, \$2.3 million of additional short term borrowing capacity to support its growth.
- **On April 9, 2026** LSL Pharma announced the signing of a binding term sheet with Instapill Private Limited ("Instapill") for the Canadian rights to private label Loratadine 10 mg Orally Disintegrating Tablets (ODT), a bioequivalent product to Claritin® Rapid Dissolve™ to Canadian retailers. The product is bioequivalent to Claritin RDT and positions LSL Pharma in the large, over the counter (OTC) allergy category. The Canadian OTC allergy category is estimated at \$60 million and growing at 8% per year. This agreement builds on the momentum generated by Juno OTC's initial collaboration with Instapill for Loperamide 2 mg RDT, equivalent to Imodium RDT, which is now widely distributed under private label across major Canadian retailers and delivering robust commercial performance.

## SELECTED FINANCIAL DATA

For the recent fiscal year and quarter, our revenues are presented in two operating segments. The first reportable segment includes revenues from CMO operations. The second reportable segment includes revenues from the sale of Eye-care products. Eye-care product sales currently include ointments products manufactured at our Steri-Med plant. We also intend to commercialize eye-drops and ointments to be sourced from commercial partners under supply and license agreements such as those agreements announced on April 3, 2025. Eye-drop revenues are expected to commence during the first half of 2026.

The following table and graphs present the financial information relating to the periods indicated and should be read in conjunction with our December 31, 2025, Audited consolidated financial statements. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

### Financial Statements of net (loss) income

	Q4-25	Q4-24	Change		FY-25	FY-24	Change	
			\$	%			\$	%
<b>Revenues</b>								
Contract revenues (CMO)	6 703	4 305	2 398	56%	25 495	10 541	14 954	142%
Sterimed Products	622	1 080	(458)	-42%	3 249	7 207	(3 958)	-55%
<b>Total Revenues</b>	<b>7 325</b>	<b>5 385</b>	<b>1 940</b>	<b>36%</b>	<b>28 744</b>	<b>17 748</b>	<b>10 996</b>	<b>62%</b>
Gross (loss) profit	(1 395)	1 472	(2 867)	-195%	5 103	5 348	(245)	-5%
Adjusted Gross Profit	1 646	1 900	(254)	-13%	9 135	6 810	2 325	34%
Adjusted GP % to revenues	22,5%	35,3%	-12,8%		31,8%	38,4%	-7%	
SG&A	2 003	1 172	831	73%	7 232	4 524	2 708	60%
SG&A as % of Revenues	27%	22%	6%		25%	25%	0%	
<b>Operating (Loss) Profit</b>	<b>(3 398)</b>	<b>300</b>	<b>(3 698)</b>	<b>-1233%</b>	<b>(2 129)</b>	<b>824</b>	<b>(2 953)</b>	<b>-358%</b>
Share-based Comp.	43	16	27	169%	181	418	-237	-57%
Financial Expenses	817	552	265	48%	2 915	1 903	1 012	53%
(Gain) Loss on debt settl.	(669)	-	669	100%	88	-	88	100%
Gain on acquisition	(2 428)	(4 817)	(2 389)	-50%	(2 428)	(4 864)	(2 436)	-50%
Deferred tax (recovery)	65	(50)	115	-230%	65	(50)	115	-230%
<b>Net (loss) income</b>	<b>(1 096)</b>	<b>4 499</b>	<b>(5 595)</b>	<b>-124%</b>	<b>(2 820)</b>	<b>3 317</b>	<b>(6 137)</b>	<b>-185%</b>
<b>EBITDA (loss)</b>	<b>(265)</b>	<b>5 576</b>	<b>(5 841)</b>	<b>-105%</b>	<b>2 650</b>	<b>6 779</b>	<b>(4 129)</b>	<b>-61%</b>
<b>Adjusted EBITDA (loss)</b>	<b>(27)</b>	<b>775</b>	<b>(802)</b>	<b>-103%</b>	<b>2 458</b>	<b>2 417</b>	<b>41</b>	<b>2%</b>

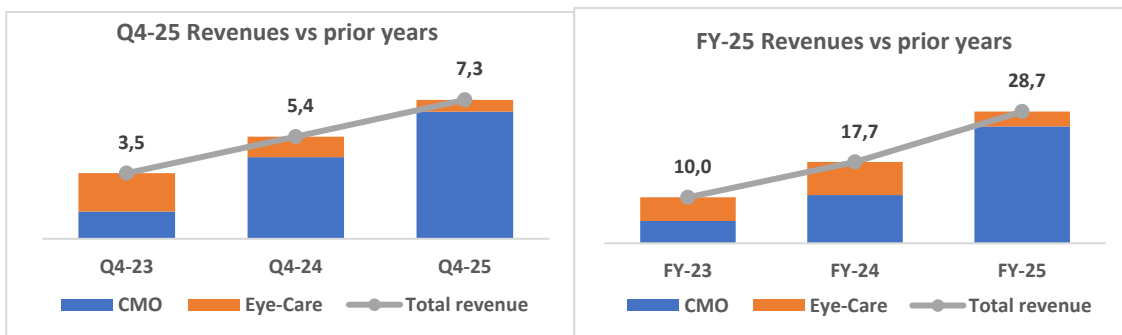
- The Corporation delivered strong revenues in Q4-25 at \$7.3 million, up 36% compared to Q4-24, despite revenue provisions of \$0.5 million (See "Adjusted Gross Profit adjustments"). The quarterly increase results mainly from to

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

the addition of revenues from Dermolab acquired in December 2024, and to a lesser extent from the impact of the Du-Var acquisition completed in Q4-25. CMO revenues increased by 56% at \$6.7 million in Q4-25 compared to \$4.3 million for Q4-24. Revenues from the Eye-care division were \$0.6 million for Q4-25, down 42% compared to Q4-24. Before the special provisions for returns, the revenues for the Eye-care segment in Q4-25 were similar to last year.

- LSL Pharma generated revenues of \$28.7 million for FY-25, up 62% compared to FY-24, despite the special provisions of \$0.5 million mentioned above. FY-25 CMO revenues were up 142% compared to FY-24 and similar to the quarterly revenues, benefited from the acquisition of Dermolab, VSI and Du-Var, as well as the growing revenues of LSL Laboratory. Eye-care revenues for FY-25 period were down 55% compared to the prior fiscal year. The FY-25 revenues were impacted by the special provisions for returns, while the FY-24 revenues benefited from the non-recurrent sales of Erythromycin to the US who were experiencing a nation-wide OOS stock situation. FY-24 results also benefited from the OOS situation experienced in Canada by Steri-Med's largest competitor.



- **Adjusted Gross Profit** for Q4-25 after eliminating the impact of depreciation and amortization as well as special and non-recurrent adjustments, stood at \$1.6 million, a 13% decrease compared to Q4-24. Adjusted Gross Profits for FY-25 was \$9.1 million, up 34% over the prior year. Adj. Gross Profit % in Q4-25 was down 13% compared to Q4-24 due to the mix of revenues as the % of revenues from Steri-Med dropped from 20% to 8%.

*Our Gross Profit performance for Q4-25 and FY-25 has been significantly impacted by the lower production at the Steri-Med plant as well as material adjustments (See "Adjusted Gross Profit Reconciliation" for more details). Steri-Med production activity was reduced by more than 50% during the last quarter of 2025 as the site was addressing requirements for its re-certification with Health Canada as well as making plant adjustments to comply with stringent FDA regulatory requirements. While the reduced activity had a material negative impact on the Steri-Med's results it was required for ensuring a successful renewal of the HC licence and more importantly for the successful approval of the site for manufacturing US labelled products. Following the FDA certification of the site announced in January 2026, the total addressable market for Steri-Med's sterile manufacturing activities is now estimated at more than \$1.5 billion (IQVIA 2025).*

- **SG&A** expenses for Q4-25 were \$2.0 million compared to \$1.2 million in Q4-24, a 67% increase.
- **Operating (Loss) Profit** LSL Pharma generated an operating loss of \$3.4 million in Q4-25 compared to a \$0.3 million operating profit in Q4-24. Operating loss was \$2.1 million for FY-25, compared to an operating profit of \$0.8 million last year. The quarterly and FY results were impacted by the gross profit, and SG&A performance described above.
- **Financial Expenses** for Q4-25 were 48% higher than Q4-24 at \$0.8 million compared to \$0.6 million. Financial expenses for FY-25 also increased by 53% at \$2.9 million compared to \$1.9 million for FY-24. Despite the conversions and repayment of several debt/loans during the year, financial expenses were impacted by the increased expenses on lease facilities at LSL laboratory, and the addition of the Dermolab lease starting December 2024. FY-25 expenses have been impacted slightly by the \$12 million convertible debt offering closed late in December 2025, which was used to fund operations and the acquisition of Juno OTC. The quarterly and fiscal year financial expenses were also impacted by the \$0.1 million penalty on redemption of the convertible debentures.
- **Loss (Gain) of settlement of debt** was \$0.7 million for Q4-25 compared to nil last year. The gain for Q4-25 related to impact of an interest rate reduction on the BDC term. For the FY-25 period, the gain was offset by a \$0.6 million loss on repayment of the convertible debenture last August.
- **Gain on Acquisitions** for Q4-25 reflected the \$2.6 million gain (net of deferred income tax) on acquisition of Du-Var, while the Q4-24 results were impacted by the \$4.9 million net gain on acquisition of Dermolab, less a \$0.1 million

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negative adjustment for the VSI acquisition closed in Q2-24. The FY-25 results reflected the gain on acquisition of Du-Var, while the FY-24 results included the gain on acquisition of Dermolab.

- **Net (Loss) Income** The Corporation generated a \$1.1 million net loss in Q4-25, compared to \$4.5 million net income for Q4-24. For FY-25, LSL Pharma generated a net loss of \$2.8 million compared to a \$3.3 million net income for FY-24. The net income for the Q4-25 included the \$0.7 million gain on settlement of debt, while the FY-25 periods included both the \$0.7 million gain on debt settlement and the \$0.8 million loss on settlement of the public debentures. Both the Q4-25 and FY-25 periods benefited from the \$2.6 million gain on the acquisition of Du-Var. The net income performance for FY-24 included a \$4.9 million gain on acquisition of Dermolab.
- **EBITDA** for Q4-25, after eliminating the impact of financial expenses, depreciation and amortization as well as the gain/loss of debt settlement, was a loss of \$0.3 million, compared to \$5.6 million positive EBITDA for Q4-24. Both Q4-25 and Q4-24 EBITDA results were impacted by non-recurrent gain on acquisitions. For the FY periods, EBITDA was \$2.7 million FY-25 compared to \$6.8 million for FY-24.
- **Adjusted (A) EBITDA.** After eliminating, share-based compensation, gain on acquisitions, and special/non-recurrent gross margin adjustments (A) EBITDA loss for Q4-25 was a nil compared to a \$0.8 million EBITDA profit for Q4-24. (A) EBITDA for FY-25 was a \$2.5 million compared to \$2.4 million for FY-24, a 2% increase. The EBITDA performance for Q4-25 was impacted by the lower-than-expected gross margin due to revenue mix and the increase in the SG&A compared to last year. For the FY periods EBITDA % dropped from 14% in 2024 to 10% in 2025. The FY-24 EBITDA benefited from strong margins generated during the first half of the year by Steri-Med due to the shortage of Erythromycin in the US while the Adjusted EBITDA reflected the impact of new costs and expenses related to the investments and expansion of the product pipeline in the Eye-Care segment.

We present below a reconciliation of the GP to Adjusted GP, and EBITDA to Adjusted EBITDA for Q4-25 and FY-25 compared to the prior year periods:

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

#### ADJUSTED GROSS PROFIT RECONCILIATION

	Q4-25	Q4-24	Change		FY-25	FY-24	Change	
			\$	%			\$	%
<b>Revenues</b>	<b>7 325</b>	<b>5 385</b>	1 940	36%	<b>28 744</b>	17 748	10 996	62%
<b>Gross (loss) profit</b>	<b>(1 395)</b>	<b>1 472</b>	(2 867)	-195%	<b>5 103</b>	5 348	(245)	-5%
<i>Gross profit % to revenues</i>	<b>-19,0%</b>	<b>27,3%</b>	-46,4%		<b>17,8%</b>	30,1%	-12%	
<b>Adjustments (+/-)</b>								
Depreciation and amortization	<b>688</b>	<b>428</b>	260	61%	<b>2 312</b>	1 462	850	58%
Other Adjustments. (see below)	<b>2 353</b>	-	2 353	0%	<b>1 720</b>	-	1 720	0%
<b>Total Adjustments</b>	<b>3 041</b>	<b>428</b>	2 613	611%	<b>4 032</b>	<b>1 462</b>	2 570	176%
<b>Adjusted Gross Profit</b>	<b>1 646</b>	<b>1 900</b>	(254)	-13%	<b>9 135</b>	<b>6 810</b>	2 325	34%
<i>Adjusted Gross Profit % to revenues</i>	<b>22,5%</b>	<b>35,3%</b>	-12,8%		<b>31,8%</b>	38,4%	-7%	

#### Special/Non-Recurrent Gross Profit Adjustments

- *Provisions for returns (FY-23/24 sales) for \$0.4 million, representing 100% of the remaining US receivable from Fera Pharmaceutical for products sold during FY-23/24 during the US shortage of Erythromycin. The provision covers the value of products that Fera believes could be returned under the contracts. Should these receivables be collected in part or in totality, the provision would be reversed for the corresponding amount.*
- *Provision for doubtful account FY-23 AR for \$0.1 million, as bad debt provisions on a receivable linked to products sold during FY-23. The full impact of this provisions has been reflected in our gross margin.*
- *Government payroll tax claim FY-21/23 for \$0.2 million.*
- *Harmonization of inventory methods, for the CMO segment following 3 acquisitions over the last 2 years, has led to a negative \$0.4 million non-recurrent adjustment. Material adjustments were made in relations to inventory valuations of Dermolab and Virage Santé, that could not be reflected as adjustments to the purchase price allocation of these 2 transactions.*

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- FDA related shut-down Steri-Med for \$0.2 million representing production expenses incurred for the FDA certification of the plant that did not meet the IAS-38 test for capitalized assets.
- R&D charges not capitalized for \$0.1 million, representing specific R&D project costs that could not meet the IAS-38 test for new assets.
- Inventory write-offs / supplier issues for \$0.4 million. During the year several production batches were destroyed due to quality/supplier related issues. Claims made to LSL's suppliers will be recorded as a COGS reduction if and when collected.
- Reclass Q1-Q3/25 related COGS for \$0.6 million, representing COGS expensed in Q4-25 but related to prior quarters results.

#### ADJUSTED EBITDA RECONCILIATION

	Q4-25	Q4-24	Change		FY-25	FY-24	Change	
			\$	%			\$	%
Net (loss) income	(1 096)	4 499	(5 595)	-124%	(2 820)	3 317	(6 137)	-185%
Income tax expense	(65)	50	(115)	-230%	(65)	50	(115)	-230%
Finance expense, net	817	552	265	48%	2 915	1 903	1 012	53%
(Loss) Gain on debt settlement	(669)	-	(669)	0%	88	-	88	0%
Depreciation and amortization	748	475	273	57%	2 530	1 509	1 023	68%
<b>EBITDA (loss)</b>	<b>(265)</b>	<b>5 576</b>	<b>(5 841)</b>	<b>-105%</b>	<b>2 628</b>	<b>6 779</b>	<b>(4 131)</b>	<b>-61%</b>
% of sales	-3.6%	103,5%	-107,2%		9,2%	38,2%	-29%	
<b>Adjustments (+/-)</b>								
Gain on acquisition of business	(2 428)	(4 817)	2 389	-50%	(2 428)	(4 864)	2 436	-50%
Non-Recurrent Adjust. to Gr.Profit	2 353	-	2 353	100%	1 720	-	1 720	100%
Transact./R&D fees not capitalized	192	-	192	100%	239	-	239	100%
Acquisition costs/M&A restructuring	78	-	78	100%	96	84	12	14%
Stock-based compensation	43	16	27	169%	181	418	(237)	-57%
<b>Adjusted EBITDA (loss)</b>	<b>(27)</b>	<b>775</b>	<b>(802)</b>	<b>-103%</b>	<b>2 456</b>	<b>2 417</b>	<b>39</b>	<b>2%</b>
% of sales	-0,4%	14,4%	-14.8%		8,5%	13,6%	-5%	

#### SELECTED BALANCE SHEET HIGHLIGHTS

As at the end of the period:	YE-25	YE-24	Change	
			\$	%
<b>Current assets</b>	<b>24 103</b>	<b>15 476</b>	<b>8 627</b>	<b>56%</b>
Fixed Assets incl. LT deposits	32 765	24 462	8 303	34%
Intangible Assets	17 473	13 272	4 201	32%
<b>Total assets</b>	<b>74 741</b>	<b>53 610</b>	<b>21 131</b>	<b>39%</b>
Operating loans	2 525	2 559	(34)	-1%
<b>Current liabilities</b>	<b>10 312</b>	<b>9 752</b>	<b>560</b>	<b>6%</b>
Long-term debt excluding lease liabilities	26 656	12 753	13 903	109%
<b>Total Liabilities</b>	<b>47 769</b>	<b>28 718</b>	<b>19 051</b>	<b>66%</b>
<b>Shareholders' equity</b>	<b>26 972</b>	<b>24 892</b>	<b>2 080</b>	<b>8%</b>

- **Current assets** increased by 56% at YE-25 compared to YE-24. The \$8.6 million increase comes mainly from the \$3.1 million increase in inventory, \$0.6 million increase in accounts receivable and \$4.5 million cash and share deposit for the Juno OTC transaction closed on January 1, 2026. Our inventory level at the end of Q4-25 reflects the increase in operating and commercial activity compared to the last portion of FY-24 as well as the addition of the Du-Var inventory acquired during the last quarter of FY-25.

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- **Total Assets** increased by \$21.1 million at YE-25 compared to YE-24. The 39% increase includes respective additions of \$8.6 million to current assets, \$8.3 million to fixed assets (less deposits) and \$4.2 million to intangibles. The acquisition of Du-Var added \$10.3 million of total assets. Increase in intangibles resulted mainly from the continued investments in the development of our Eye-care product portfolio.
- **Operating loans** at YE-25 was \$2.5 million, compared to \$2.6 million at YE-24. The YE-25 position was impacted by the \$12 million convertible debt financing closed in the last portion of December 2025, less cash allocated to the Juno OTC transaction. During FY-25, the Corporation secured a \$7.5 million line of credit from Desjardins. This operating line was increased in April 2026 to \$11M and served to repay the \$1.2 million Du-Var line of credits.
- **Current liabilities** at YE-25 were \$10.3 million compared to \$9.8 million at YE-24 for a nominal 6% increase despite the acquisition of Du-Var which added \$2.0 million of short-term liabilities, mainly for accounts payable.
- **LT debt excluding lease liabilities** increased by \$13.9 million during FY-25 due to the addition of the \$12 million convertible debenture financing secured in December 2025, as well as new long-term secured loans from Desjardins and BDC net of repayment of several existing loans and debts (see note 13 of our Audited Financial Statements).
- **Total liabilities** increased by 66% at YE-25 compared to YE-24. The \$19.1 million increase reflects the \$13.9 million increase in our long-term debt term described above as well as a \$2.4 million lease liability from the addition of the Du-Var lease obligation.
- **Shareholders Equity** increased by \$2.1 million during FY-25. The change included \$2 million of shares issued to the Seller of Juno OTC for settlement on January 1, 2026 as well as \$2.1 million net proceeds from the non-brokered private placement closed in Q3-25, less net loss for the period.

### SELECTED QUARTERLY PERFORMANCE

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

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

	Q4-25	Q3-25	Q2-25	Q1-25	Q4-24	Q3-24	Q2-24	Q1-24
<b>Revenues</b>								
CMO <sup>1</sup>	6 703	6 581	6 463	5 748	4 305	2 357	2 441	1 438
Eye-Care <sup>2</sup>	622	995	755	877	1 080	1 652	1 750	2 725
<b>Total Revenues</b>	<b>7 325</b>	7 576	7 218	6 625	<b>5 385</b>	4 009	4 191	4 163
Gross (loss) profit	(1 395)	2 331	2 061	2 106	1 472	1 194	1 536	1 146
Adjusted Gross Profit <sup>3</sup>	1 646	2 506	2 040	2 310	1 900	1 548	1 882	1 480
Adj. Gross Profit %	22.5%	35,6%	32,8%	36,6%	35.3%	38.6%	44.9%	35.6%
SG&A expenses	2 003	1 849	1 721	1 659	1 172	1 109	1 276	967
SG&A % of revenues	27.3%	24.4%	23.8%	25.0%	21.8%	27.7%	30.4%	23.2%
Share-Based Comp.	43	88	36	14	16	-	402	-
<b>Operating (Loss) Profit</b>	<b>(3 398)</b>	482	340	447	<b>300</b>	85	260	179
Financial Expenses	817	817	693	588	552	478	414	459
(Gain) Loss on debt settlement	(669)	757	-	-	-	-	-	-
(Gain) on acquisition	(2 428)	-	-	-	(4 817)	(7)	(40)	-
<b>Net (Loss) Income</b>	<b>(1 096)</b>	(1 180)	(389)	(155)	<b>4 499</b>	(386)	(516)	(280)
<b>EBITDA (Loss) Profit</b>	<b>(84)</b>	1 000	1 011	904	<b>5 576</b>	446	244	513
<b>Adj. EBITDA (Loss) Profit <sup>3</sup></b>	<b>(48)</b>	917	719	802	<b>775</b>	456	673	513

Note 1: CMO revenues in Q4-25 adjusted for a \$0.1 million provision on a receivable linked to products sold during FY-23.

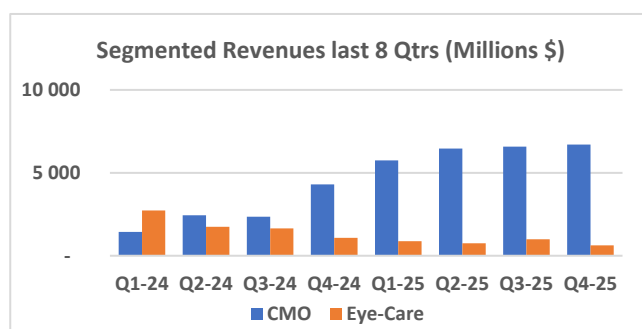
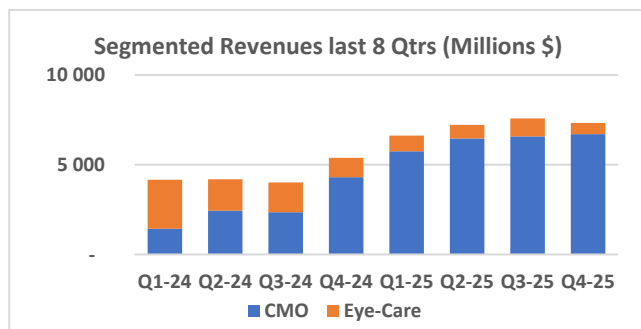
Note 2: Eye-Care revenues for Q4-25 impacted by a \$0.4 million special provision on a profit-share receivable on sales generated during the US shortage of Erythromycin in FY-23/24.

Note 3: Adjusted Gross Profit and Adjusted EBITDA for fiscal quarters of FY-25 have been adjusted to reflect fiscal year-end adjustments.

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

- Revenues.** The Corporation's total revenues have trended upward over the last 8 quarters reflecting additional revenues and growth derived from the CMO acquisitions (VSI in Q2-24, Dermolab in Q4-24, and Du-Var in Q4-25). The CMO is well positioned to continue its growth by leveraging the increased revenues capacity derived from the acquisitions as well as the investments made in prior years at LSL Laboratory. Revenues for the Eye-care segment in Q4-25 were impacted by the special provisions for returns. Revenues for the Eye-care segment had been fairly flat over the prior quarters in FY-25, while FY-24 revenues were influenced by non-recurrent revenues including the US Shortage situation in Q4-23 and Q1-24, and the OOS situation in Canada with a direct competitor selling Erythromycin. Below we present revenues by business segment.



- Gross Profit and Adjusted Gross Profit** has been impacted by YE-25 adjustments (See *“Financial Statements analysis”*). Gross profit has fluctuated significantly over the last 8 quarters as the operating costs and products margins were influenced by the level of revenues and mix of revenues between the 2 operating units.
- SG&A** expenses starting in Q4-24 reflect the addition of Dermolab, acquired in December 1, 2024. SG&A as a % of revenues has remained relatively constant over the last 2 years despite the addition of 3 operating units, thus showing a good use of our HO which provides corporate services to a growing number of operating entities.
- Operating Profit (Loss).** The acquisitions of VSI and Dermolab have generated additional gross profit thus contributing directly to our operating results. The sequential increase in revenues and margins helped generate positive results as we take full advantage of our corporate structure with HO providing support to the operating units. Operating loss in Q4-25 was greater than expected due to the adjustments described in the *“Financial Statements analysis”*.
- Share-Based Compensation** in Q2-24 represented the costs for issuing options for new staff and board members. At that time, the Corporation's policy was recognizing the full impact of issuing options at the time of grant. The Corporation changed its policy starting Q2-24. The cost of issuing options is now reflected over a 3-year period.
- Financial Expenses.** Financial expenses over the last 8 quarters have been trending up slightly reflecting increased leverage. New debts and notes secured during these periods have been partly offset by debt repayments of more expensive financial instruments and conversion of loans into equity when possible. The \$12 million convertible debt financing completed late in Q4-25 did not impact our financial expenses materially. The 10% coupon on this debt is reasonable for such an instrument and kept low due to a favorable \$0.45 conversion price. Financial expenses in Q3-25 included a \$0.1 million penalty on redemption of the convertible debentures.
- (Gain) Loss on settlement of debt.** During Q3-25, the Corporation incurred a non-cash \$0.8 million loss on the repayment of convertible debentures. During Q4-25, the Corporation generated a non-cash gain when the interest rate on the long-term BDC loan was lowered by 1.5%.
- Gain on Acquisition.** The acquisition of Dermolab led to a material gain of \$4.9 million which was fully realized in Q4-24. The net gain for Q4-24 gain included a \$0.1 million negative adjustment for VSI to eliminate the gain previously reported in Q3-24 and Q2-24. During Q4-25, the Corporation realized a \$2.4 million net gain on the Du-Var acquisition. The Corporation has 12-months following acquisitions to book the final impact of each transaction.
- Net (loss) Income** The Corporation generated a \$4.5 million net income in Q4-24 as a result of a non-recurrent gain on acquisition of Dermolab. Net loss for Q3-25 was impacted by the \$0.9 million non-recurrent impact of the penalty and loss on settlement/redemption of the convertible debenture.
- (A) EBITDA.** Except for the Q4-25, our Adjusted EBITDA performance has improved over the prior quarters and is reflective of the expansion of our CMO operations, and the increased production levels at all operating sites.

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

#### LIQUIDITIES AND CAPITAL RESOURCES

	Q4-25	Q4-24	Change		FY-25	FY-24	Change	
			\$	%			\$	%
<b>Operating Activities</b>								
Net (loss) income from operations	(1 096)	4 499	(5 595)	-130%	(2 820)	3 317	(6 137)	-185%
Gain on business acquisition	(2 428)	(4 817)	2 389	-50%	(2 428)	(4 864)	2 436	-50%
Other items not affecting cash	1 498	1 093	405	37%	6 275	3 880	2 395	62%
Changes in non-cash W/C	1 846	(223)	2 069	-928%	(3 472)	(3 985)	513	-13%
<b>Cash (used) provided by operations</b>	<b>(180)</b>	<b>552</b>	<b>(732)</b>	<b>-133%</b>	<b>(2 445)</b>	<b>(1 652)</b>	<b>(793)</b>	<b>48%</b>
<b>Investing Activities</b>								
Acquisition/Deposits of PPE	(355)	(453)	98	-22%	(2 018)	(3 121)	1 103	-35%
Intangibles	(1 418)	(564)	(854)	151%	(2 940)	(1 080)	(1 8560)	172%
Business Combination	(2 500)	(1 220)	(1 280)	105%	(2 500)	3 255)	755	-23%
Cash used by investing activities	(4 273)	(2 237)	(2 036)	91%	(7 458)	(7 456)	(2)	0%
<b>Financing Activities</b>								
Cash provided by financing activities	3 401	1 817	1 584	87%	10 155	9 396	759	8%
Net change in cash	(1 052)	132	(1 184)	-897%	252	288	(36)	-13%
Cash, beginning of the period	1 600	164	1 436	876%	296	8	288	3600%
Cash, end of the period	548	296	252	85%	548	296	252	85%

- Cash used by operations in Q4-25 period was \$0.2 million compared to \$0.6 million cash generated in Q4-24 representing a \$0.7 million negative variation. The variance between the quarters included \$2.1 million change in non-cash W/C, a \$5.6 million reduction of net income from operations, \$0.4 million reduction of items not affecting cash and offset by \$2.4 million lower gain on business acquisition. Cash used by operations for the FY-25 period was \$2.4 million compared to \$1.7 million cash used for FY-24 representing a \$0.8 million variance. The variance included \$6.1 million negative variance in net income, and a \$0.5 million additional investment in non-cash W/C, offset by a \$2.4 million increase in items not affecting cash, and \$2.4 million lower gain on business acquisition. The \$2.4 million cash used during FY-25 included \$0.6 million and \$3.1 million of investment in receivables and inventory partly offset by a \$0.9 million increase in trade payables, reflecting mainly the impact of acquiring Du-Var 6 weeks before YE.
- **Investing activities** used \$4.3 million and \$7.5 million of cash during Q4-25 and FY-25 respectively for addition to intangible, fixed assets as well as business combination compared to \$2.2 million and \$7.5 million for the Q4-24 and FY-24 periods. Business combination used \$2.5 million in Q4-25 compared to \$1.2 million in Q4-24. Addition to intangibles in FY-25 included further investments towards the development of the Eye-care pipeline, while the addition to fixed assets included investments for setting up the new operating line at Steri-Med as well as new investments at LSL laboratories to increase production capacity. The cash impact of the Laboratoire Du-Var acquisition was nil except for the working capital impact discussed in the cash flow from operation section. Investments during FY-24 reflected the purchase of VSI for \$2.3 million as well as addition to fixed assets at Steri-Med, and LSL Laboratory.
- **Financing activities** for Q4-25 contributed net proceeds of \$3.4 million compared to \$1.8 million in Q4-24. Proceeds in Q4-25, included net proceeds of \$13.7 million from the issuance of the \$12.0 million convertible debenture and the assumption of the Du-Var laboratory long term debt. Net proceeds for Q4-25 also included a \$4.3 million reduction of our line of credit, \$2.3 million decrease in short and long-term notes payables. The Du-Var acquisition also led to a \$3.2 million addition to lease liability. Financing activities for FY-25 generated \$10.2 million, including \$22.2 million net proceeds from new long-term loans and convertible debentures, \$2.1 million of net process from issuance of shares/units. These financings served to repay \$9.7 million of loans, and notes as well as \$2.5 million of interest costs.
- **Net cash** at YE-25 was \$0.5 million compared to \$0.3 million at YE-24 representing a \$0.2 million increase.

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

#### Transaction with related parties and shareholders:

The following table presents the compensation of key management personnel and Directors recognized in the consolidated statements of (loss) income and comprehensive (loss) income. Key management personnel include the CEO, CFO, and Corporate Vice-Presidents.

For the fiscal year	Notes	2025	2024
<b>Revenues</b>			
Revenues from a company controlled by a Director	1	(363)	2,145
<b>Expenses</b>			
Salaries, benefits, consulting and board fees		1,965	1,511
Interest earned on notes and debentures		239	230
Share-based compensation		167	347

Note 1: The negative FY-25 revenue relates to a \$363 provision on a US receivable from Fera Pharmaceutical for products sold during FY-23/24 during the US shortage of Erythromycin. (See Related Party transactions below) Should the full receivable be collected, the provision would be reversed.

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

as at December 31,	Notes	2025	2024
<b>Assets:</b>			
Receivable from a company controlled by a Director		-	386
<b>Liabilities:</b>			
<b>Key management personnel and Directors</b>			
Notes payable and accrued interest		-	100
Convertible Debentures recorded in long-term debt		4,000	125
Director fees included in accrued liabilities		53	
<b>Company owned by a key management personnel</b>			
Notes payable and accrued interest	1,2	1,441	1,587

Note 1: Since December 2023, 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, 2027. Amounts outstanding take into consideration advances, net of repayments conversions of \$500 into the March 2024 Unit financing, and \$100 into the June 2024 Unit financing (see note 16 to the Audited Consolidated Financial Statements).

Note 2: On December 1, 2024, a long-term note payable of \$1,000 was issued to a company controlled by key management personnel at 10% interest rate, repayable on January 1, 2028 (see note 15 to the Audited Consolidated Financial Statements).

#### Liquidities and financial position

	Note	YE-25	YE-24	Change	
				\$	%
Cash		548	296	252	85%
Accounts receivable		5 502	4 949	553	11%
Inventories		12 350	9 216	3 134	34%
Prepaid and deposits		1 194	1 006	188	19%
Other asset - Acquisition deposit	1	4 500	-	4 500	100%
<b>Total Current Assets</b>		<b>24 103</b>	<b>15 476</b>	<b>8 627</b>	<b>56%</b>
Revolving credit facility		2 525	2 559	(34)	-1%
Accounts payable and accrued liabilities		6 227	5 295	932	18%
Short term financing and current portion of long-term debt		1 980	1 898	82	4%
<b>Total Current Liabilities</b>		<b>10 312</b>	<b>9 752</b>	<b>560</b>	<b>6%</b>
<b>Working capital</b>		<b>13 791</b>	<b>5 724</b>	<b>8 067</b>	<b>141%</b>
<i>Working Capital Ratio</i>		<b>2,34</b>	<b>1,59</b>	<b>0,74</b>	<b>47%</b>

Note 1: YE-25 balance relates to the cash/equity portion of the consideration paid to the Seller, for the Juno OTC transaction closed on Jan. 1, 2026 (See "Subsequent Events")

## LSL PHARMA GROUP INC.

### Management's Discussion and Analysis for the three- and twelve-month periods ended December 31, 2025 and 2024

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Over the last year, the Corporation continued to invest in building critical mass and developing a solid pipeline of products. Following the \$12 million convertible debt financing closed prior to the end of the year, working capital remains strong at \$13.8 million at YE-25, up 8.1 million or 141% over YE-24. LSL Pharma believes that improved operating cash flows, and access to its new \$7.5 million operating line of credit (now \$11 million – See “*Subsequent events*”) provide adequate financial flexibility to implement its operating and financial obligations.

Total net borrowings under credit agreements, plus bank loans and other interest-bearing instruments, net of Cash (“Total net borrowings”) totaled \$29.5 million at YE-25 compared to \$16.4 million at YE-24. This compares net tangible assets (total assets less cash, net intangibles and goodwill) of \$56.9 million and \$40.0 million respectively for YE-24, and YE-24. Total Net Borrowing to Net Tangible Assets ratio (“Leverage ratio”) stood at 0.5:1 at YE-25 compared to 0.4:1 as at the end of 2024. We believe that our leverage ratio is adequate for the time being and our goal is to reduce our interest-bearing debt, debt servicing and cost of capital. The Desjardins and BDC financing secured in Q2-25 meets these objectives. The \$12 million convertible debt financing completed at the end of 2025 provided capital to support the Juno OTC acquisition (See “*Subsequent Events*”) as well as working capital flexibility to support the decent Juno OTC and Du-Var acquisitions. There is no debt servicing associated with this debt other than the 10% coupon until its 4-yr maturity in December 2029, and the coupon is favorable for limiting the costs of capital due to its attractive conversion price. The Corporation is confident in its ability to secure additional capital from conventional lenders or investors should it requires more capital to fund its growth initiatives. The recent increase in our short-term line of credit demonstrates our ability to leverage our operating assets to fund investments in working capital as well as our operations.

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

#### Risk Factors

For a detailed discussion of additional risk factors, please refer to the Corporation's latest Information Circular on [www.sedarplus.ca](http://www.sedarplus.ca).

#### Disclosure of Outstanding Share Data

LSL Pharma's authorized share capital consists of an unlimited number of Class A Common Shares. As of April 28, 2026, LSL Pharma had 126,729,818 Class A Common Shares outstanding (See *Escrowed shares below*). In addition, a total of 77,977,910 Class A Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by LSL Pharma, and comprised of:

- 26,666,666 Class A Common Shares issuable upon conversion of the \$12M convertible debt issued on December 23, 2025;
- 41,745,974 Class A Common Shares issuable upon exercise of Warrants and Compensation warrants;
- 9,565,270 Class A Common Shares issuable upon exercise of Options (assuming full vesting).

Assuming exercise and conversion of the above, there would be a total of 204,707,728 shares outstanding, adding cash and removing convertible debts for a combined total of \$46.7 million.

#### Escrowed share

On March 1, 2023, the Common Shares of LSL Pharma Group Inc. began trading on the TSX Venture Exchange (“TSXV”) under the symbol “LSL”. Upon listing its shares on the TSXV, the Corporation implemented an escrow agreement to restrict the resale of 42.7% of the shares of LSL Pharma over a 3-year period.

On February 27, 2026, the last and final tranche of escrowed shares was released from escrow and represented 14,071,600 shares. *More details on the escrow agreement can be found in the Corporation's latest Information Circular available on SEDARPLUS.CA.*

Audited Annual Consolidated Financial Statements

**LSL PHARMA GROUP INC.**

Years ended December 31, 2025 and 2024

# LSL PHARMA GROUP INC.

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
LSL PHARMA GROUP INC.,

### Opinion

We have audited the accompanying consolidated financial statements of LSL PHARMA GROUP INC. and its subsidiaries (together, the Corporation), which comprise the consolidated statements of financial position as at December 31, 2025, and December 31, 2024 and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2025 and 2024, and its consolidated financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined the matter described below to be the key audit matter to be communicated in our report.

**Key audit matter***Valuation of intangible assets related to Business Acquisitions*

We draw attention to note 6 to the consolidated financial statements. The Corporation completed the acquisition of Laboratory Du-Var inc. on November 17, 2025, for a consideration of one dollar, which resulted in a gain on acquisition of \$2,428 (“the acquisition”).

The acquisition was accounted for as business combination. Auditing the accounting for the acquisitions was complex due to the estimation uncertainty in the Corporation’s determination of the fair value of the intangible assets acquired, which primarily included customer relationship and licences and certifications. The estimation uncertainty was primarily due to the sensitivity of the respective fair values to the underlying significant assumptions. The fair value estimates of customer relationship and licences and certifications intangible assets included significant assumptions in the prospective financial information, including estimated weighted average cost of capital, attrition and estimated revenue growth rates. These significant assumptions are forward looking and could be affected by expectations about future economic and market conditions.

The estimates and assumptions to determine the fair value of intangible assets, which are the most subjective, are replacement cost method and excess earnings methods contract with renewal probabilities. This required a high degree of judgment and involvement of a specialist.

**How our audit addressed the key audit matter**

Our approach to addressing the matter included the following procedures, among others:

- Evaluating the management’s selection of the valuation methodologies in light of current industry practices and IFRS requirements;
- Testing the significant assumptions and the completeness and accuracy of the underlying data;
- Comparing significant key assumptions in the prospective financial information to current industry trends, as well as to historical performance of the acquired business and a similar business segment of the Corporation;
- Evaluating the reasonableness of contract renewal probabilities by gaining an understanding of the nature of current customer relationship;
- Evaluating the reasonableness of attrition and discount rates, by testing the source information underlying their determination and developing a range of independent estimates and comparing those to estimate’s management;
- Evaluating the competence, capabilities, and objectivity of management’s valuation experts;
- Verifying the accuracy of the gain calculation and the associated deferred tax impact.
- Assessing the adequacy of the related disclosures in the consolidated financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's consolidated financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statement, including the disclosures, and whether the consolidated financial statement represents the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Émilie Raymond.

The image shows a handwritten signature in black ink. The word "Audacie" is written in a cursive style, with a small "1" as a superscript. Below it, "inc." is written in a smaller, simpler font. A horizontal line is drawn under the signature.

Chartered Professional Accountant Corporation

Brossard (Quebec)  
April 28, 2026

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<sup>1</sup> CPA auditor, public accountancy permit No. A135158

# LSL PHARMA GROUP INC.

## Consolidated Statements of Financial position

(All amounts in thousands of Canadian dollars)

As at December 31,	Notes	2025	2024
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		548	296
Accounts receivable	7,21	5,502	4,949
Inventories	8	12,350	9,216
Prepaid and deposits		1,194	1,006
Other asset – acquisition deposit	26	4,500	-
Income tax asset	19	9	9
<b>Total current assets</b>		<b>24,103</b>	15,476
Deposits		20	1,543
Property, plant and equipment	9	32,765	22,939
Intangible assets	10	17,473	13,272
Deferred tax asset	19	223	223
Goodwill	6	157	157
<b>Total assets</b>		<b>74,741</b>	53,610
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	6,227	5,295
Revolving credit facility	12	2,525	2,559
Current portion of long-term debt	13	863	1,367
Current portion of lease liabilities	14	689	447
Current portion of financing loan		8	84
<b>Total current liabilities</b>		<b>10,312</b>	9,752
Long-term notes payable	15	2,040	3,621
Long-term debt	13	24,518	8,903
Lease liabilities	14	7,609	4,655
Financing loan		98	229
Deferred tax liability	19	3,192	1,787
<b>Total liabilities</b>		<b>47,769</b>	28,718
<b>SHAREHOLDERS' EQUITY</b>			
Share capital and warrants	16	40,471	36,386
Equity component of convertible debenture	13	593	375
Contributed surplus		3,645	3,048
Deficit		(17,737)	(14,917)
<b>Total shareholders' equity</b>		<b>26,972</b>	24,892
<b>Total liabilities and shareholders' equity</b>		<b>74,741</b>	53,610

Subsequent events (note 27)

See accompanying notes

On behalf of the Board of Directors:

(Signed) Louis Laflamme, Director

(Signed) Mario Paradis, Director

## LSL PHARMA GROUP INC.

### Consolidated Statements of (loss) Income and Comprehensive (loss) Income

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

For the years ended December 31, 2025 and 2024

	Notes	2025	2024
CMO	25	25,495	10,541
Eye-Care Division	25	3,249	7,207
<b>Total Revenues</b>		<b>28,744</b>	17,748
Cost of goods sold	8, 18	23,641	12,400
<b>Gross margin</b>		<b>5,103</b>	5,348
<b>Expenses</b>			
Selling, general and administrative	18	7,232	4,524
<b>Operating (loss) income</b>		<b>(2,129)</b>	824
Gain on business acquisitions	6	(2,428)	(4,864)
Shares-based compensation	16	181	418
Finance expenses	17	3,003	1,903
<b>(Loss) income before income taxes</b>		<b>(2,885)</b>	3,367
Deferred income tax (recovery) expense	19	(65)	50
<b>Net (loss) income, being the comprehensive (loss) income for the year</b>		<b>(2,820)</b>	3,317
Basic and diluted (loss) income per share	23	(0.02)	0.03
<b>Weighted average number of common shares outstanding</b>			
Basic		117,616,304	105,413,510
Diluted		117,616,304	105,413,510

See accompanying notes

## LSL PHARMA GROUP INC.

### Consolidated Statements of Changes in Shareholders' Equity

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

	Notes	Class A shares and warrants			Equity component of convertible debenture	Contributed surplus	Deficit	Total
		Number of shares	Number of warrants	Amount				
<b>Balance as at January 1, 2024</b>		82,433,577	40,566,758	24,198	375	2,316	(18,234)	8,655
Share and warrants issuance	16 (a,b)	33,099,099	35,099,099	13,286	-	-	-	13,286
Share issuance costs	16 (a)	-	206,475	(800)	-	16	-	(784)
Share-based compensation	16 (c)	-	-	-	-	418	-	418
Expired warrants	16 (b)	-	(39,748,673)	(298)	-	298	-	-
Net income		-	-	-	-	-	3,317	3,317
<b>Balance as at December 31, 2024</b>		115,532,676	36,123,659	36,386	375	3,048	(14,917)	24,892
Share and warrants issuance	16 (a,b)	11,197,142	5,687,500	4,275	-	-	-	4,275
Share issuance costs	16 (a)	-	59,375	(190)	-	41	-	(149)
Redemption of convertible debenture units	13 (v)	-	-	-	(375)	375	-	-
Issuance of convertible debenture units	13 (ix)	-	400,000	-	593	-	-	593
Share-based compensation	16 (c)	-	-	-	-	181	-	181
Expired warrants	16 (b)	-	(488,060)	-	-	-	-	-
Net loss		-	-	-	-	-	(2,820)	(2,820)
<b>Balance as at December 31, 2025</b>		126,729,818	41,782,474	40,471	593	3,645	(17,737)	26,972

See accompanying notes

## LSL PHARMA GROUP INC.

### Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars)

For the years ended December 31, 2025 and 2024

	Notes	2025	2024
<b>OPERATING ACTIVITIES:</b>			
<b>Net (loss) income for the year</b>		<b>(2,820)</b>	3,317
Adjustments reconciling net (loss) income to operating cash flows:			
Depreciation and amortization	9,10	2,530	1,509
Deferred income tax (recovery) expense	19	(65)	50
Finance expenses	17	3,003	1,903
Share-based compensation	16 (c)	181	418
Loss on inventory		263	-
Profit-share provision		363	-
Gain on business acquisition	6	(2,428)	(4,864)
		<b>3,847</b>	(984)
Net change in non-cash working capital items	24	<b>(3,472)</b>	(3,985)
<b>Cash outflow from operating activities</b>		<b>(2,445)</b>	(1,652)
<b>INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment	9	(2,018)	(1,598)
Acquisition deposit	26	(2,500)	
Deposits on property, plant and equipment		-	(1,523)
Acquisition of intangible assets	10	(2,940)	(1,080)
Business acquisitions, net of tax	6	-	(3,255)
<b>Cash outflow from investing activities</b>		<b>(7,458)</b>	(7,456)
<b>FINANCING ACTIVITIES:</b>			
Repayment of long-term debt		(8,097)	(5,636)
Issuance of long-term debt	13	23,271	5,875
Issuance costs of long-term debt	13	(909)	(63)
Repayment of acquired indebtedness	6	-	(281)
Proceeds from issuance of common shares and warrants	16 (a)	2,316	8,230
Share issuance costs	16 (a)	(190)	(784)
Interest paid		(2,474)	(1,220)
Net change revolving credit facility		(1,150)	395
Net change in lease liabilities and financing loans		(1,010)	39
Net change in long-term notes		(1,602)	2,841
<b>Cash inflow from financing activities</b>		<b>10,155</b>	9,396
Net change in cash and cash equivalents		252	288
Cash and cash equivalents, beginning of year		296	8
<b>Cash and cash equivalents, end of year</b>		<b>548</b>	296

See accompanying notes

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2025 and 2024

### 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 audited annual consolidated financial statements comprise those of the Corporation and its wholly owned subsidiaries, Steri-Med Pharma Inc., LSL Laboratory Inc., The Virage Sante Group (comprised of the operating entity, Virage Sante Inc., and its parent company, Gestion Gisele Lacasse Inc.), Dermolab Pharma Ltd., Du-Var Laboratory inc., Groupe Immobilier LSL inc. and Ressources L'Iledor Inc.. The Corporation develops, manufactures and commercializes sterile pharmaceutical products, cosmetic products and natural health products. LSL Pharma Group Inc. is listed on the TSX venture exchange under the symbol "LSL".

### 2. Basis of preparation

#### (a) Basis of presentation:

These audited annual consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These audited annual consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on April 24, 2026.

#### (b) Basis of consolidation:

The audited annual consolidated financial statements of the Corporation include the accounts of LSL Pharma Groupe Inc. and of its subsidiaries. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control and continue to be consolidated on the date that such control ceases.

The following table shows the Corporation's subsidiaries as at December 31, 2025.

<b>Subsidiaries</b>	<b>Jurisdiction</b>	<b>% ownership</b>
LSL Laboratory Inc.	Canada	100%
Steri-Med Pharma Inc.	Canada	100%
Gestion Gisele Lacasse Inc. <sup>(iv)</sup>	Canada	100%
Virage Sante Inc. <sup>(iv)</sup>	Canada	100%
Dermolab Pharma Ltd.	Canada	100%
Du-Var Laboratory Inc.	Canada	100%
Ressources L'Iledor Inc. <sup>(iii)</sup>	Canada	100%
Groupe Immobilier LSL Inc. <sup>(ii)</sup>	Canada	100%

#### (i) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (ii) Dissolved on January 8, 2026

#### (iii) Dissolved on January 21, 2026

#### (iv) Merged on February 5, 2026

### 3. Functional and presentation currency and basis of measurement:

These audited annual consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency.

The audited annual consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial liabilities measured at fair value through profit or loss.

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

*For the years ended December 31, 2025 and 2024*

### 4. Use of judgments and estimates:

The preparation of the Corporation's audited annual 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 accompanying 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.

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 audited annual 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 Corporation 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 Corporation 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) Valuation of share-based compensation and warrants:

The Corporation measures the cost of share-based payments with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments and warrants granted, the Corporation uses, depending on terms and conditions, the Black-Scholes option pricing model or the stochastic model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using these models, including the expected life of the option or warrant and volatility. Details of the assumptions used are included in note 16. The value of options and compensation warrants are presented in Contributed Surplus. Warrants included in a share issuance are initially recorded in Share Capital and reclassified to Contributed Surplus if expired.

(d) Deferred income taxes:

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, 2025, the Corporation determined that it is not probable that deferred tax assets will be realized in the future. Only acquired deferred tax assets are presented.

(e) Intangible assets

Management's judgment is applied, and estimates are used, in determining whether costs qualify for recognition as internally developed intangible assets. To be able to recognize an intangible asset, management must demonstrate the item meets the definition of an intangible asset as per International Accounting Standards ("IAS") 38. Management exercises significant judgment in determining whether an item meets the identifiability criteria in the definition of an intangible asset which, in part, requires that the item is capable of being separated or divided from the Company and sold, transferred or licensed either individually or together with a related contract or asset, whether or not the Company intends to do so. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years incurred.

Also, to recognize an intangible asset, management, in its judgment, must demonstrate that it is probable that expected future economic benefits will flow to the Corporation and that the cost of the asset can be measured reliably. Estimates are used to determine the probability of expected future economic benefits that will flow to the Corporation. Future economic benefits include net cash flows from future commercial agreements and products deployment, which are dependent upon the ability of the Corporation to commercialize its products which will increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2025 and 2024

The Corporation capitalized internal product development costs during the years ended December 31, 2025 and 2024 for all new development projects and projects that, in management's judgment, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgment when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Corporation to attract clients to its products and increase client engagement with its products. Costs which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred.

(f) Business combinations

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relate to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total future net cash flows expected to be derived from the asset. The valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period may last up to one year from the acquisition date. In estimating the fair value of a financial asset or a liability, the Corporation uses market-observable data to the extent it is available.

### 5. Significant accounting policies:

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The Corporation's significant accounting policies are as follows:

(a) Inventories:

Inventories are valued at the lower of cost, determined under the first-in first-out method, and net realizable value. Raw materials include the cost of purchase and transportation costs that are directly incurred to bring inventories to their present location and condition. Work in progress and finished goods also include the costs directly related to the conversion of materials to finished goods and an allocation of production overhead based on normal production capacity. Net realizable value is the estimated selling price of finished goods in the ordinary course of business, less the estimated costs of completion and selling expenses.

(b) Property, plant and equipment:

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use. Depreciation is calculated over the cost of the asset less its residual value and is recognized in net profit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Asset	Method	Period
Building	Straight-line	30 years
Computer equipment	Straight-line	5 years
Furniture	Straight-line	10 years
Production equipment	Straight-line	5 to 25 years
Laboratory equipment	Straight-line	10 years
Leasehold improvements	Straight-line	Lesser of useful life and life of the lease
Right-of-use assets	Straight-line	Lesser of useful life and life of the lease

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2025 and 2024

(c) Intangible assets:

*Goodwill*

Goodwill that arises upon business combinations is included in intangible assets. Goodwill is not amortized and is measured at cost less accumulated impairment losses.

*Other finite lives intangible assets*

Intangible assets are comprised of customer relationships, product development, software, license and certifications and product formulas that have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationships are amortized using the straight-line method over 15 years product formulas are amortized using straight-line method over 10-25 years, software is amortized using the straight-line method over 10 years, and licenses and certifications are amortized using the straight-line method over 20 years. Development costs are capitalized as a part of intangible assets only if they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient financial and technical resources to complete development and to use or sell the asset. In situations where development qualifies for government research incentives, the investment tax credits are netted against the expenditures made for the specific product project. Intangible assets generated internally by incurring research and development expenditures. Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) its intention to complete the intangible asset and use or sell it;
- c) its ability to use or sell the intangible asset;
- d) how the intangible asset will generate probable future economic benefits. Among other things, the Corporation can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized as soon as the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization when they will be in a commercial production phase and any accumulated impairment losses. Useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate. The carrying amounts are reviewed at each reporting date to determine whether there is an indication of impairment.

(d) Impairment of intangible assets with a finite useful life, property, plant and equipment and right-of-use assets:

The Corporation reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, property, plant and equipment and right-of-use assets on each reporting date.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of a CGU (or group of CGUs) is the higher of its value in use and its fair value less costs of disposal. Value in use is determined by discounting estimated future cash flows, using a discount rate that reflects current market assessments, the time value of money and the risks specific to the CGU (or group of CGUs).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

*For the years ended December 31, 2025 and 2024*

(e) Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

*Right-of-use asset*

The Corporation recognizes a right-of-use asset (included in property, plant and equipment in the consolidated statement of financial position) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method (as mentioned in Note 5(b)). The lease term includes consideration of an option to renew or to terminate if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

*Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments).

(f) Business combinations

The Corporation follows the acquisition method to account for business combinations in accordance with IFRS 3. The acquisition method of accounting requires that assets acquired, and liabilities assumed be recorded at their estimated fair values on the date of a business acquisition. The amounts included in the consolidated statement of loss and comprehensive loss under transaction-related fees and expenses arise from business combinations made by the Company.

In the total purchase consideration of the business combination. All other costs related to the acquisition are expensed as incurred. New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible known amounts of cash, and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in liabilities.

(h) Financial instruments:

(i) Recognition, classification and initial measurement:

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value to other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model objective, whether achieved by collecting contractual cash flows or selling the financial assets or both, as well as whether or not the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition are added to its initial cost.

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

*For the years ended December 31, 2025 and 2024*

### *Financial liability*

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit. Any gain or loss on derecognition is also recognized in the statement of net loss and comprehensive loss. For an item not at FVTPL, transaction costs that are directly attributable to its issuance are deducted of its initial cost.

The Corporation has classified all of its financial liabilities at amortized cost.

### *Compound financial instruments*

Compound financial instruments issued by the Corporation include convertible notes. Unless the Corporation elects to designate the entire instrument at FVTPL, compound financial instruments are separated into financial liability and equity components based on the terms of the contract. On issuance of the instrument, the proceeds are allocated to the financial liability component first, based on its fair value determined using a market rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

#### (ii) Derecognition:

Financial assets are derecognized when the contractual rights to receive cash flows from the instruments have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

#### (iii) Impairment:

The Corporation recognizes the allowance for expected credit losses (ECLs) on financial assets measured at amortized cost, which takes into account current economic conditions, historical information, and forward-looking information, including higher interest rates and inflation. The Corporation uses the simplified approach for measuring losses based on the lifetime ECL for trade receivables.

#### (i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### (j) Revenue:

The Corporation derives revenues mainly from the sales of finished goods. The Corporation recognizes these revenues at a point in time, when it transfers control over the good to a customer, which is when a customer takes possession of the goods. Customers obtain control of products either at time of shipment or once product is delivered depending on the contract.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The amount of revenue recognised is adjusted for deductions such as expected returns, rebates and other items, which are estimated based on historical experience and other relevant factors.

#### (k) Income taxes:

Income tax expense comprises current and deferred income taxes. It is recognized in net profit except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

### *Current income taxes*

Current income taxes comprise the expected tax payable or receivable on the taxable income for the periods and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

*For the years ended December 31, 2025 and 2024*

measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

### *Deferred income taxes*

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income taxes reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

### (l) Government grants

Government grants are recognized only when the Corporation has reasonable assurance that it meets the conditions and will receive the grants. Government grants related to assets, including tax credits for investment and innovation, are recognized in the Consolidated Statement of Financial Position as a deduction from the carrying amount of the related asset. They are then recognized in profit or loss as a reduction of the depreciation expense

### (m) Future Accounting Changes

#### IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosures in Financial Statements to replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies, namely:

- Improved comparability in the statement of profit or loss by introducing separate income and expense categories and requiring new subtotals;
- Enhanced transparency of management-defined performance measures by requiring explanations on these measures; and
- More useful grouping of information in the financial statements by providing guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

These changes apply to annual periods beginning on or after January 1, 2027.

The Corporation is currently assessing the estimated impact of this new standard on its consolidated financial statements.

#### Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial instruments

In May 2024, the IASB amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to clarify the classification of financial assets and the settlement of financial liabilities using an electronic payment system. The amendments also introduce additional disclosures about investments in equity instruments designated at fair value through other comprehensive income and about financial instruments with contractual terms that could change the timing or amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event.

These amendments apply to fiscal years beginning on or after January 1, 2026.

The Corporation is currently assessing the estimated impact of these amendments on its consolidated financial statements.

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2025 and 2024

### Annual Improvements to IFRS Accounting Standards – Volume 11

The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRS accounting standards that will not be included as part of another major project.

These amendments apply to fiscal years beginning on or after January 1, 2026.

The Corporation is currently assessing the estimated impact of these amendments on its consolidated financial statements.

## 6. Business acquisition:

### Virage Sante Group

On June 18, 2024, the Corporation announced the acquisition of 100% of the outstanding shares of Gestion Gisele Lacasse Inc. the controlling parent of Virage Sante Inc., a privately owned business headquartered in Levis, Quebec, effective as of June 1, 2024.

In operation since 1994, Virage Sante Inc. manufactures a range of natural health products in liquid, powder, and capsule form, sold under its own brand or under private labels. The acquisition represents revenue and earnings growth, while also broadening the Corporation's client base and service portfolio.

The purchase price payable consisted of a base consideration including settlement of seller's indebtedness and post-closing working capital adjustment. The cash consideration at closing was paid with available cash on hand.

	<b>Estimated fair value</b>
<b>Base consideration:</b>	
Consideration on closing (June 18, 2024)	
Cash consideration for outstanding shares	2,219
Cash consideration for indebtedness settled	281
Total cash consideration on closing	2,500
Post-closing working capital adjustment <sup>(1)</sup>	(131)
<b>Total consideration</b>	<b>2,369</b>

<sup>(1)</sup> Post-closing working capital adjustment of \$131 was collected by the Corporation in 2024.

The fair value of trade and other receivables acquired as part of the business acquisition amounted to \$81 with a gross contractual amount of \$82. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted to \$1.

The excess of the fair value of net assets acquired over consideration paid resulted in a recognition of \$157 of Goodwill, presented on the Consolidated Statement of Financial Position.

The fair value of the consideration transferred, and the net identifiable assets acquired was determined based on the Corporation's assumptions and estimates. Accounts receivables were recognized at fair value, which does not differ significantly 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 income approach, 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 licences and certification. The relief-from-royalty method was used to value Virage Sante's trademarks and trade name. The multi-period excess earnings, replacement costs, and lost profits methods 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 Virage Sante'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. Both trademarks and trade name and customer relationships were determined to have no significant value at the acquisition date.

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The following provides a summary of assets acquired, liabilities assumed, and the consideration transferred:

	Estimated fair value
<b>Assets acquired:</b>	
Accounts receivable	81
Inventories	306
Prepaid expenses	7
Income tax receivable	26
Property, plant and equipment	2,132
Licenses and certification	185
Goodwill	157
	<b>2,894</b>
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	103
Indebtedness	281
Deferred tax liability	422
	806
<b>Total net assets acquired, and liabilities assumed</b>	<b>2,088</b>
Total consideration	2,369
Indebtedness assumed	(281)
<b>Total consideration, outstanding shares acquired</b>	<b>2,088</b>

#### Dermolab Pharma Ltd.

On December 18, 2024, the Corporation announced the acquisition of 100% of the outstanding shares of Dermolab Pharma Ltd. ("Dermolab"), a privately owned business headquartered in Ste-Julie, Quebec, effective as of December 1, 2024.

In operation since 1985, Dermolab specializes in the development, manufacturing and packaging of liquid and semi-solid cosmetic, pharmaceutical and natural health products. The acquisition represents revenue and earnings growth, while also broadening the Corporation's client base and service portfolio.

The purchase price payable consisted of a base consideration including settlement of post-closing working capital adjustment. The cash consideration at closing was paid with available cash on hand.

	Estimated fair value
<b>Base consideration:</b>	
Consideration on closing (December 18, 2024)	
Total cash consideration on closing	955
Post-closing working capital adjustment <sup>(1)</sup>	265
<b>Total consideration</b>	<b>1,220</b>

<sup>(1)</sup> Post-closing working capital adjustments was finalized and paid in August 2025. The final amount was increased by \$100, this adjustment is reflected in the December 2024 balance sheet with a \$100 increase in Inventories and Accounts Payable and accrued liabilities.

The fair value of trade and other receivables acquired as part of the business acquisition amounted to \$1,786 with a gross contractual amount of \$1,788. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted to \$2. The excess of the fair value of net assets acquired over consideration paid resulted in a gain on acquisition of \$4,864 included in the consolidated statement of (loss) income. No goodwill arose from the business combination with Dermolab Pharma Ltd.

The fair value of the consideration transferred, and the net identifiable assets acquired was determined based on the Corporation's assumptions and estimates. Accounts receivable were recognized at fair value, which does not differ significantly 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

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was used to value licenses and certification. The multi-period excess earnings, replacement costs, and lost profits methods 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 Dermolab'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
<b>Assets acquired:</b>	
Accounts receivable	1,786
Inventories	3,034
Prepaid expenses	183
Investment tax receivable	103
Income tax receivable	9
Deferred tax asset	223
Property, plant and equipment	2,774
Customer relationships	1,680
License and certifications	1,830
	<b>11,622</b>
<b>Liabilities assumed:</b>	
Accounts payable and accrued liabilities	1,547
Revolving line of credit (net of cash acquired)	1,509
Income taxes payable	144
Deferred tax liability	1,314
Bank loan	1,024
	<b>5,538</b>
<b>Total net assets acquired, and liabilities assumed</b>	<b>6,084</b>
Total consideration	1,220
Gain on acquisition	4,864
<b>Total consideration, outstanding shares acquired</b>	<b>6,084</b>

#### Laboratoire Du-Var Inc.

On November 17, 2025, the Corporation acquired 100% of the outstanding shares of Laboratoire 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) income. No goodwill arose from the business combination with Du-Var.

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 Corporation is engaged in ongoing discussion for a potential receivable from the owner for \$100. This is not currently reflected in the total net assets acquired.

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

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licenses and 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. On a proforma basis, the Corporation estimates operations of Du-Var for year ended December 31, 2025, not reflecting any growth, benefit of synergies and integration activities had the acquisition occurred as of January 1, 2025. The proforma results are not necessarily indicative of the results that would have resulted had the acquisition occurred on January 1, 2025, or the results that may be obtained in the future:

	Actuals since acquisition
Revenue	677
Net loss	(198)

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

	Estimated fair value
<b>Assets acquired:</b>	
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
<b>Liabilities assumed:</b>	
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
<b>Total net assets acquired, and liabilities assumed</b>	<b>2,428</b>
Total consideration	-
Gain on acquisition	2,428
<b>Total consideration, outstanding shares acquired</b>	<b>2,428</b>

#### 7. Accounts receivable:

	2025	2024
Trade receivables	5,641	4,811
Allowance for expected credit losses	(497) <sup>(1)</sup>	(7)
Sales tax and other receivables	265	14
R&D tax credit receivable	93	105
Income tax receivable	-	26
	<b>5,502</b>	<b>4,949</b>

<sup>(1)</sup> Allowance for expected credit losses includes (\$400) acquired from Du-var (note 6).

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#### 8. Inventories:

	2025	2024 <sup>(1)</sup>
Raw materials	4,547	4,021
Packaging supplies – labels	1,389	989
Work in progress	1,093	541
Finished goods	5,699	3,731
Provision for obsolescence and net realizable value	(378)	(66)
	<b>12,350</b>	<b>9,216</b>

<sup>(1)</sup> 2024 results reflect the post-closing working capital adjustment on the acquisition of Dermolab. This adjustment increased inventory by \$100.

The cost of inventories recognized as an expense within cost of goods sold during the year ended December 31, 2025 was \$24,828 (2024 - \$11,440).

#### 9. Property, plant and equipment:

	Land	Building	Computer equipment & Furniture	Production & laboratory equipment <sup>(1)</sup>	Leasehold improvement	Right-of- use assets - building	Right-of- use assets - production equipment	Total
<b>Cost</b>								
Balance, start of 2024	284	3,972	325	5,696	3,710	2,912	763	17,662
Additions	-	232	107	1,291	275	2,458	-	4,363
Disposition	-	-	-	763	-	(270)	(763)	(270)
Transfer	272	1,403	182	3,049	-	-	-	4,906
Balance, end of 2024	556	5,607	614	10,799	3,985	5,100	-	26,661
Additions	-	27	37	3,064	415	3,198	-	6,741
Business acquisition (note 6)	-	-	57	4,444	475	-	-	4,976
<b>Balance, end of 2025</b>	<b>556</b>	<b>5,634</b>	<b>708</b>	<b>18,307</b>	<b>4,875</b>	<b>8,298</b>	<b>-</b>	<b>38,378</b>
<b>Accumulated depreciation</b>								
Balance, start of 2024	-	(460)	(117)	(1,036)	(330)	(799)	(175)	(2,917)
Depreciation	-	(162)	(50)	(361)	(292)	(210)	-	(1,075)
Disposition	-	-	-	(175)	-	270	175	270
Balance, end of 2024	-	(622)	(167)	(1,572)	(622)	(739)	-	(3,722)
Depreciation	-	(186)	(83)	(710)	(325)	(587)	-	(1,891)
<b>Balance, end of 2025</b>	<b>-</b>	<b>(808)</b>	<b>(250)</b>	<b>(2,282)</b>	<b>(947)</b>	<b>(1,326)</b>	<b>-</b>	<b>(5,613)</b>
<b>Net carrying amounts</b>								
Balance, end of 2024	556	4,985	447	9,227	3,363	4,361	-	22,939
<b>Balance, end of 2025</b>	<b>556</b>	<b>4,826</b>	<b>458</b>	<b>16,025</b>	<b>3,928</b>	<b>6,972</b>	<b>-</b>	<b>32,765</b>

<sup>(1)</sup> The addition of production & laboratory equipment is net of government grants received of \$170.

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#### 10. Intangible assets:

	Product formulas	Customer relationship	Product development (Eye-care) <sup>(1)</sup>	Product development (CMO) <sup>(1)</sup>	Licenses & certifications	Software	Total
<b>Cost</b>							
Balance, start of 2024	9,728	368	311	-	-	-	10,407
Additions	-	-	1,034	46	-	-	1,080
Business acquisition (note 6)	-	1,680	-	-	2,015	-	3,695
Balance, end of 2024	9,728	2,048	1,345	46	2,015	-	15,182
Additions	-	-	2,288	468	-	184	2,940
Business acquisition (note 6)	-	1,100	-	-	350	450	1,900
<b>Balance, end of 2025</b>	<b>9,728</b>	<b>3,148</b>	<b>3,633</b>	<b>514</b>	<b>2,365</b>	<b>634</b>	<b>20,022</b>
<b>Accumulated depreciation</b>							
Balance, start of 2024	(1,323)	(153)	-	-	-	-	(1,476)
Amortization	(387)	(34)	-	-	(13)	-	(434)
Balance, end of 2024	(1,710)	(187)	-	-	(13)	-	(1,910)
Amortization	(387)	(142)	-	(2)	(102)	(6)	(639)
<b>Balance, end of 2025</b>	<b>(2,097)</b>	<b>(329)</b>	<b>-</b>	<b>(2)</b>	<b>(115)</b>	<b>(6)</b>	<b>(2,549)</b>
<b>Net carrying amounts</b>							
Balance, end of 2024	8,018	1,861	1,345	46	2,002	-	13,272
<b>Balance, end of 2025</b>	<b>7,631</b>	<b>2,819</b>	<b>3,633</b>	<b>512</b>	<b>2,250</b>	<b>628</b>	<b>17,473</b>

<sup>(1)</sup> Product development amount has been completely generated internally and is not amortized since the product is not in a commercial production phase. Management concluded that the recoverable amount was higher than the carrying value as of December 31, 2025, and no impairment was recognized. Key assumptions used in calculating the recoverable amount are outlined in the following table with market data being sourced through the IQVIA database:

Assumption	Rate %
Market share	35%
Annual revenue growth rate	0%-3%
Terminal rate	0%
Discount rate	20%

#### 11. Accounts payable and accrued liabilities:

	2025	2024 <sup>(1)</sup>
Accounts payable	4,458	4,503
Accrued liabilities	1,076	518
Interest payable	226	237
Sales tax and other payables	467	37
	<b>6,227</b>	<b>5,295</b>

<sup>(1)</sup> 2024 results reflect the post-closing working capital adjustment on the acquisition of Dermolab. This adjustment increased accounts payable and accrued liabilities by \$100.

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#### 12. 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 is \$7,500 and is secured by movable hypothecs on the assets of all entities, including accounts receivable and inventory. The facility is subject to borrowing base limitation and financial covenants including coverage, liquidity and leverage ratios. As at December 31, 2025, the Corporation was in compliance with these covenants, with the exception of the coverage covenant that was not respected. The amount drawn under this credit facility as at December 31, 2025, was \$1,680.

The TD Bank and Scotia Bank credit facilities were both settled and terminated in August 2025. As of December 31, 2024, \$1,305 drawn under the TD bank facility and \$1,254 under the Scotia bank facility.

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 is \$1,200 and is based on a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at December 31, 2025, was \$845. This facility has been subsequently settled see note 27.

#### 13. Long-term debt:

	2025	2024
Advances payable to Finaccès Capital (i)	-	626
Secured loans from Desjardins (LSL Laboratory) (ii)	-	401
Secured loan from Desjardins (Virage Sante) (iii)	-	1,350
Secured loan from Scotia (iv)	-	998
Unsecured convertible debentures fiscal 2023 (v)	-	2,474
Secured loan from BDC-1 (vi)	4,429	4,421
Secured loan from BDC-2 (vii)	4,754	-
Secured loan from Desjardins (viii)	4,706	-
Unsecured convertible debentures fiscal 2025 (ix)	10,677	-
Term loan Investissement Quebec (x)	815	-
Current	863	1,367
Non-current	24,518	8,903
Total	25,381	10,270

(i) Finaccès Capital Inc.:

During 2025, the Corporation received further advances of \$771 from Finaccès Capital Inc. ("Finaccès"). These advances bore interest at 15% annually and were payable based on collections of specific accounts receivables. The Corporation settled all advances in full in July 2025.

(ii) Desjardins (LSL Laboratory):

At the start of 2025, the Corporation had three loans outstanding with Desjardins. The loans bore interest at prime rate + 2.5% and were guaranteed by 1) a movable hypothec on LSL Laboratory's equipment, 2) a subordinated guarantees on current assets and 3) a guarantee from Investissement Québec. The Corporation settled these loans in July 2025.

(iii) Desjardins (Virage Sante):

At the start of 2025, the Corporation had an outstanding loan with Desjardins. The loan bore an interest rate of prime rate + 0.45% and was guaranteed by the immovable property of the Virage Sante Group. The loan was set to mature in 2039, and was fully settled by the Corporation in July 2025, which resulted in a non-cash loss on settlement debt of \$23 presented in Finance expenses on the Consolidated Statements of (loss) Income.

(iv) Scotia bank:

As part of the Dermolab acquisition (see note 6) the Corporation acquired three outstanding secured loans with Scotia Bank, these loans bore interest between prime rate + 0.75% to + 1.25%. The Corporation settled these loans in July 2025

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(v) Unsecured convertible debentures fiscal 2023:

In 2023 the Corporation issued 328,800 convertible debentures for gross proceeds of \$3,288. The Corporation incurred transaction costs of \$581 including fair value of 318,085 compensation warrants issued of \$71 ("Compensation Warrants – Unsecured convertible debentures"). The debentures had a maturity date of October 31, 2028 and were payable on the maturity date in cash. The initial interest rate on the outstanding principal amount was 11% per year, payable in cash semi-annually on the last day of April and October of each year. The annual interest rate was reduced to 10% per annum, effective April 30, 2025.

The Corporation redeemed all outstanding convertible debentures on August 4, 2025. The movement in convertible debentures was as follows.

	2025	2024
Balance at beginning of year	2,474	2,345
Accretion expense included in interest on long-term debt	80	129
4% early redemption interest penalty	132	-
Non-cash loss on settlement of debt (finance expense)	734	-
Redemption settlement	(3,420)	-
<b>Balance at end of year</b>	<b>-</b>	<b>2,474</b>

(vi) 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 has been met, and the rate has been reduced by 1.5% as of June 2025. This reduction in effective interest rate resulted in a gain of \$515 presented in finance expenses on the Consolidated Statements of (Loss) Income. The loan is guaranteed by immovable and movable property of Steri-Med (combined book value \$8,034) and is jointly guaranteed by all entities of the Corporation. The loan is subject to a financial covenant, being a fixed-charge coverage ratio. As at December 31, 2025, the Corporation was not in compliance with this covenant. The Corporation secured a waiver from the lender in respect of this breach. The loan matures December 2049, with monthly installments of \$17 beginning January 2026.

(vii) 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 13 (viii)). 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 has been met, and the rate has been reduced by 0.75% as of October 2025. This reduction in effective interest rate resulted in a gain of \$152 presented in finance expenses on the Consolidated Statements of (Loss) Income. The loan is guaranteed by movable property of all entities, immovable property of the Virage Sante Group (combined book value \$17,626) and is jointly guaranteed by all entities of the Corporation. The loan is subject to a financial covenant, being a fixed-charge coverage ratio. As at December 31, 2025, the Corporation was not in compliance with this covenant. The Corporation obtained a waiver from the lender in respect of this breach. The loan matures June 2050, with monthly installments of \$53 beginning July 2026, and lowering to monthly installments of \$3 as of June 2033.

(viii) 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 13(vii)). 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 Group (combined book value \$17,626) and is jointly guaranteed by all entities of the Corporation. The loan is subject to financial covenants including coverage, liquidity and leverage ratios. As at December 31, 2025, the Corporation was in compliance with the liquidity and leverage covenants but was not in compliance with the fixed-charge coverage ratio covenant. As at December 31, 2025, the Corporation secured a waiver from the lender in respect of this breach. The loan is renewable in January 2027. If the loan is renewed under the same conditions, it will payable over an average of 12 years, with current monthly installments of \$40.

(ix) Unsecured convertible debentures fiscal 2025:

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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 Corporation incurred transaction costs of \$739 including fair value of 400,000 broker warrants issued of \$36. referred to as "Broker Warrants – 2025 debentures").

The Broker Warrants –2025 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 December 31, 2025, the redemption feature had no significant value.

(x) Term loan Investissement Quebec:

As part of the Du-Var acquisition (see note 6) 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 (book value \$4,351). The loan is presented using an effective interest rate of 7.14%.

Principal payments due on the long-term debt under lending agreements, in each of the following years, are as follows:

2026	1,283
2027	5,353
2028	1,074
2029	13,074
2030	839
2031 and thereafter	6,121

#### 14. Lease liabilities:

	2025	2024
Balance at beginning of year	4,873	2,555
Additions (note 6)	3,952	2,458
Payments	(803)	(274)
Interest expense	275	134
Balance at end of year	8,298	4,873
Current	689	447
Non-current	7,609	4,426
<b>Total</b>	<b>8,298</b>	<b>4,873</b>

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#### Contractual undiscounted cashflows:

	2025	2024
Less than 1 year	1,495	703
Between 1 and 5 years	5,010	3,605
More than 5 years	4,054	1,804
<b>Total undiscounted lease liabilities</b>	<b>10,559</b>	<b>6,112</b>

Discount rates on leases range from 5% to 7%.

#### 15. Notes payable

	2025	2024
Balance, beginning of year	3,621	1,431
Additions	2,024	2,500
Conversion	-	(400)
Accrued interest	21	90
Repayment net of transaction costs	(3,626)	-
<b>Balance at end of year</b>	<b>2,040</b>	<b>3,621</b>

As at December 31, 2025, long-term notes include \$1,084 (\$1,687 as at December 31, 2024) due to related parties (refer to note 20).

Notes payables bear interest at 10% and are reimbursable in January 2028.

#### 16. 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 2024 and 2025, the Corporation completed a series of private placement financings resulting in the issuance of Units. The following table summarizes the key information related to each financing:

Date	Name	Consideration	Amount \$	Number of Units <sup>(1,2)</sup>
March 19, 2024 <sup>(3)</sup>	First tranche March 2024 Financing	Cash	2,685	6,713,566
March 19, 2024 <sup>(3)</sup>	First tranche March 2024 Financing	Debt conversion	3,749 <sup>(5)</sup>	9,373,327
April 24, 2024 <sup>(3)</sup>	Second tranche March 2024 Financing	Cash	3,794	9,485,000
June 27, 2024 <sup>(4)</sup>	First tranche June 2024 Financing	Cash	1,491	3,727,000
July 12, 2024 <sup>(4)</sup>	Second tranche June 2024 Financing	Cash	960	2,400,000
July 12, 2024 <sup>(4)</sup>	Second tranche June 2024 Financing	Debt conversion	560 <sup>(6)</sup>	1,400,206
		Cash	8,930	22,325,566
		Debt conversion	4,309	10,773,533
<b>Total 2024</b>			<b>13,239</b>	<b>33,099,099</b>
September 2, 2025 <sup>(4)</sup>	September 2025 Financing	Cash	2,275	5,687,500
December 23, 2025 <sup>(7)</sup>	Acquisition of JUNO OTC	Cash	2,000	2,000,000
<b>Total 2025</b>			<b>2,275</b>	<b>7,687,500</b>

##### Notes

1. All units were issued at a price of \$0.40 per unit
2. Each unit consist of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant
3. The warrants issued in March and April 2024 had a term of 36 months, at an exercise price of \$0.70.
4. The warrants issued in June-July 2024, and September 2025 had a term of 24 months, at an exercise price of \$0.70.

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5. Included the conversion of 1) Accounts payable for \$1,366; 2) Short-term notes payable for \$1,745 plus \$128 of accrued interest; and 3) Secured debenture for \$500 (nominal amount) plus \$10 of accrued interest.
6. Included the conversion of 1) Secured debenture for \$150; 2) Long-term notes for \$400 (nominal amount) plus \$10 of accrued interest.
7. The Corporation issued 5,509,642 share units for \$2,000 related to the acquisition of Juno OTC (see note 26)

A total of \$800 in financing fees was recorded for all private placements in 2024 and \$169 in 2025 and a total of 206,475 compensation warrants were issued for all private placements in 2024, for a total value of \$16 and 59,375 compensation warrants for a value of \$5 in 2025 (see note 16(b))

In December 2025 the Corporation issued 5,509,642 share units for \$2,000 related to the acquisition of Juno OTC (see note 26).

### 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 first and second tranche of the March 2024 Financing, 25,571,893 March 2024 Warrants were issued entitling the holder to acquire one (1) Class A common share at a price of \$0.70 for a period of 36 months following the closing of each tranche of the March Financing. On April 24, 2024 The Corporation also issued 75,000 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 first and second tranche of the June 2024 Financing, 7,527,206 June 2024 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 following the closing of each tranche of the June 2024 Financing. The Corporation also issued 131,475 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 issuance of the \$2,000 note payable on December 1, 2024, the Corporation issued 2,000,000 warrants entitling the holder to acquire one (1) Class A common share at a price of \$0.70 for a period of 36 months. These warrants were valued using the residual method with a weighted-average effective interest rate of 14%, creating a value of \$46 presented in share capital.

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 fiscal 2025, the Corporation issued 400,000 broker warrants entitling the holder to acquire one (1) Class A common share at a price of \$0.45 for a period of 24 months.

The fair value for all warrants except for the ones issued with the note payable were determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Weighted-average	2024 Private placement warrants	2024 Compensation warrants	2025 Private placement warrants	2025 Compensation warrants	2025 Broker warrants
Fair value at grant date	0.10	0.08	0.04	0.07	0.09
Share price at grant date	0.41	0.45	0.39	0.39	0.36
Exercise price	0.70	0.70	0.70	0.70	0.45
Risk-free interest rate	4.3%	4.1%	2.7%	2.7%	2.6%
Expected volatility	57.9%	61.4%	47.5%	73.2%	57.3%
Expected life	2.7 years	1.5 years	2.0 years	1.5 years	2.0 years

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Changes in the number of warrants and compensation warrants since January 1, 2024, were as follows:

	Date of Issuance	Warrants	Compensation/Broker warrants	Weighted average exercise price
<b>Balance, January 1, 2024</b>		<b>39,577,855</b>	<b>988,903</b>	<b>0.74</b>
<b>Granted</b>				
First tranche March 2024 Financing	March 19, 2024	16,086,893	-	0.70
Second tranche March 2024 Financing	April 24, 2024	9,485,000	75,000	0.70
First tranche June 2024 Financing	June 27, 2024	3,727,000	94,975	0.70
Second tranche June 2024 Financing	July 12, 2024	3,800,206	36,500	0.70
Note December 2024	December 1, 2024	2,000,000	-	0.70
Expired		(39,077,855)	(670,818)	0.75
<b>Balance, December 31, 2024</b>		<b>35,599,099</b>	<b>524,560</b>	<b>0.70</b>
<b>Granted</b>				
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
<b>Balance, December 31, 2025</b>		<b>41,286,599</b>	<b>495,875</b>	<b>0.70</b>

(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, 2024, were as follows:

	Number of option	Weighted average exercise price
<b>Outstanding options, January 1, 2024</b>	<b>6,000,000</b>	<b>0.70</b>
<b>Granted</b>		
April 29, 2024	1,555,000	0.40
June 17, 2024	275,000	0.48
September 25, 2024	465,270	0.45
Cancelled during 2024	(650,000)	0.70
<b>Outstanding options, December 31, 2024</b>	<b>7,645,270</b>	<b>0.62</b>
<b>Granted</b>		
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
<b>Outstanding options, December 31, 2025</b>	<b>8,855,270</b>	<b>0.58</b>

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As at December 31, 2025 7,565,090 were exercisable (7,180,000 as of December 31, 2024). The fair values of the options granted during the years ended December 31, 2025 and 2024, have been determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average	Grants 2025	Grants 2024
Fair value at grant date	0.18	0.22
Share price at grant date	0.34	0.42
Exercise price	0.37	0.42
Risk-free interest rate	2.7%	3.6%
Expected volatility	59.9%	57.0%
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, 2024 – 0%) in determining the share-based compensation expenses recorded in the consolidated statements of (loss) income and comprehensive (loss) income.

The share-based compensation expense recorded under the plan in the consolidated statements of (loss) income and comprehensive (loss) income was \$181 during the year ended December 31, 2025 (\$418 for the year ended December 31, 2024).

The options outstanding as at December 31, 2025, have an average weighted exercise price of \$0.58 and a remaining contractual life of 7.76 years.

#### 17. Finance expenses:

	2025	2024
Interest expense on long-term debt	1,366	1,147
Interest penalty on redemption of convertible units	132	-
Interest on notes payable (including related parties)	558	382
Gain on modification of debt (note 13)	(667)	-
Non-cash loss on settlement of debt	757	-
Interest expense on revolving credit facility	303	83
Other finance expense	272	157
Interest expense on lease liabilities	282	134
	<b>3,003</b>	<b>1,903</b>

#### 18. Additional information on the consolidated statements of (loss) income and comprehensive (loss) income:

	2025	2024
<b>Included in cost of goods sold:</b>		
Employee salaries and benefits	9,508	4,722
Depreciation and amortization	1,889	1,326
<b>Included in selling expenses:</b>		
Employee salaries and benefits	294	317
<b>Included in administrative expenses:</b>		
Employee salaries and benefits	3,248	2,013
Depreciation and amortization	644	183

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#### 19. Income Taxes:

The following table reconciles income taxes computed at the 's statutory rate of 26.5% for the year ended December 31, 2025 (December 31, 2024 – 26.5%) and the total tax expense for the years as follows

	2025	2024
(Loss) income before taxes	<b>(2,885)</b>	3,367
Income taxes (recovery) calculated at the statutory tax rate	<b>(765)</b>	897
Unrecognized deferred tax assets	<b>1,223</b>	1,637
Other permanent differences	<b>63</b>	136
True up deferred tax	<b>134</b>	(1,332)
Previously unrecognized deferred tax assets	<b>(69)</b>	-
Gain on business acquisitions	<b>(643)</b>	(1,289)
Other	<b>(8)</b>	1
<b>Total deferred tax (recovery) expense</b>	<b>(65)</b>	50

The income tax recovery is comprised only of deferred income tax items.

The movements in deferred income tax assets and liabilities, prior to offsetting of balances, are shown below:

	December 31, 2025				
	Opening balance	Variation not recognized in net income	Variation in net income	Variation resulting from an acquisition	Closing balance
Tax losses carried forward	4,136	1,466	435	265	<b>6,302</b>
Lease liabilities	1,291	(661)	560	848	<b>2,038</b>
Financing feed	(3)	(344)	-	-	<b>(347)</b>
R&D pool	287	(287)	-	-	-
Provision	42	3	83	-	<b>128</b>
Property, plant and equipment and right-of-use asset	(4,936)	1,386	(2,554)	(2,584)	<b>(8,688)</b>
Tax credits	-	-	(21)	-	<b>(21)</b>
Intangible assets	(2,383)	-	-	-	<b>(2,383)</b>
Other	2	1	-	-	<b>3</b>
<b>Deferred income tax asset (liability)</b>	<b>(1,564)</b>	<b>1,565</b>	<b>(1,497)</b>	<b>(1,471)</b>	<b>(2,977)</b>

As at December 31, 2025, there are \$5,663 (December 31, 2024 – \$4,601) of unrecognized deferred tax assets in relation to tax losses carried forward which were not recognized during the year ended December 31, 2025, because the criteria for recognition were not met.

	December 31, 2024				
	Opening balance	Variation not in net income	Variation in net income	Variation resulting from an acquisition	Closing balance
Tax losses carried forward	3,297	677	(68)	230	<b>4,136</b>
Lease liabilities	677	(31)	(6)	651	<b>1,291</b>
Financing feed	256	(259)	-	-	<b>(3)</b>
R&D pool	12	(12)	-	287	<b>287</b>
Provision	164	(126)	(1)	5	<b>42</b>
Property, plant and equipment and right-of-use asset	(2,023)	(251)	25	(2,687)	<b>(4,936)</b>
Intangible assets	(2,383)	-	-	-	<b>(2,383)</b>
Other	-	2	-	-	<b>2</b>
<b>Deferred income tax liability</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>(1,515)</b>	<b>(1,564)</b>

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As at December 31, 2025, no deferred income tax asset has been recognized on approximately \$20,675 and \$22,273 of Federal and Provincial tax loss carry forwards. The losses expire in the following years:

	2025	
	Federal	Provincial
2041	163	1,156
2042	3,959	3,973
2043	5,510	5,554
2044	3,689	3,786
2045	7,330	7,779

#### 20. 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) income and comprehensive (loss) income:

	2025	2024
Revenues from a company controlled by a Director	(363)	2,145
Expenses		
Salaries, benefits, consulting and board fees	1,965	1,511
Interest earned on notes and debentures	239	230
Share-based compensation	167	347

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

	Notes	2025	2024
<b>Assets:</b>			
Receivable from a company controlled by a Director		-	386
<b>Liabilities:</b>			
<b>Key management personnel and Directors</b>			
Notes payable and accrued interest		-	100
Convertible Debentures recorded in long-term debt		4,000	125
Director fees included in accrued liabilities		53	-
<b>Company owned by key management personnel</b>			
Notes payable and accrued interest	1,2	1,441	1,587

Note 1: Between December 2023 and December 2025, the Corporation borrowed various amounts from a company controlled by key management personnel bearing interest at 10-15% and repayable on or prior to February 1, 2027. Amounts outstanding take into consideration advances, net of repayments conversions of \$500 into the March 2024 Unit financing, and \$100 into the June 2024 Unit financing (see note 16).

Note 2: On December 1, 2024, a long-term note payable of \$1,000 was issued to a company controlled by key management personnel at 10% interest rate, repayable on January 1, 2028 (see note 15).

#### 21. Financial risks:

The Corporation's activities expose it to financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign exchange risk). The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on its financial performance. The Corporation does not use derivative financial instruments to hedge these risks.

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a) Credit risk:

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

The Corporation 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 credit risk related to its accounts receivable is limited because the Corporation deals with major North American clients that are well known in the pharmaceutical market. The Corporation 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:

	2025	2024
Current	3,548	2,413
31 to 60 days past due	1,095	1,337
61 to 90 days past due	346	248
Over 91 days past due	713	851
	5,702	4,849
Loss allowance	(497)	(7)
Provision for rebates and discount	(61)	(39)
<b>Balance, end of year</b>	<b>5,144</b>	<b>4,803</b>

The Corporation considers trade accounts receivable to be past due when they exceed 60 to 90 days, depending on the credit conditions applicable to the customer. The Corporation assesses expected credit losses at each reporting period. Non-compliance with payment deadlines and financial difficulties are the main factors considered when identifying high-risk receivables. The Corporation recognizes an expected credit loss or writes off the trade account receivable when management believes that the expected recoverable amount is lower than the actual amount of the trade account receivable.

As at December 31, 2025, 71% (December 31, 2024 - 61%) of accounts receivable are concentrated with twelve clients. For the year ended December 31, 2025, eleven clients represented 64% of total revenues (December 31, 2024 - eight clients representing 61% of revenues). The Corporation does not require a guarantee.

b) Liquidity risk:

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

The following are the contractual maturities of financial obligations, including interest, under the lending agreements. All contractual amounts denominated in foreign currencies are converted into Canadian dollars using the exchange rate in effect on the reporting date:

	As at December 31, 2025				
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and other liabilities	6,227	6,227	6,227	-	-
Revolving credit facility	2,525	2,525	2,525	-	-
Long-term notes payable	2,040	2,669	387	2,282	-
Long-term debt, including current portion <sup>(1)</sup>	25,381	38,895	3,471	26,165	9,259
Lease liabilities, including current portion	8,298	10,559	1,495	5,010	4,054
Finance loan, including current portion	106	157	15	60	82

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<sup>(1)</sup> When future interest cash flows are not fixed, they are calculated using interest rates prevailing at the end of the reporting period

### Capital management

The Corporation's capital is composed of shareholders' equity, long-term notes payable and long-term debt, including current portion of long-term debt. The Corporation'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 Corporation has relied on equity financing, long-term notes and long-term debt.

The Corporation is not subject to any capital requirements imposed by a regulator. The Corporation's objectives, policies, and processes for managing capital remained unchanged from the prior year.

### c) Market risk

#### Interest rate risk:

Interest rate risk is the Corporation's exposure to increases or decreases in financial instrument values caused by fluctuations in interest rates. The Corporation is exposed to cash flow risk due to the interest rate fluctuations in its floating-rate interest-bearing financial obligations and is exposed to fair value risk from its fixed-rate financial obligations.

In addition, upon the refinancing of a debt instrument, depending on the availability of funds in the market and lender perception of the Corporation's risk, the margin that is added to the reference rate, such as bank prime rates, could vary and directly influence the interest rate payable by the Corporation.

With respect to its floating-rate financial obligations, a negative impact on cash flows would occur if there were an increase in the reference rates. A decrease in these same rates would have an opposite impact of similar magnitude.

#### Interest rate risk:

According to the balances of the Corporation's floating-rate loans as at December 31, 2025, an increase or decrease of 100 basis points in the interest rate would have an impact of \$200 on the Corporation's consolidated net (loss) income for the year ended December 31, 2025 (December 31, 2024 - \$141).

#### Foreign exchange risk:

Foreign exchange risk is the Corporation's exposure, caused by exchange rate fluctuations, to decreases or increases cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, denominated in USD. The Corporation does not hold financial derivatives to manage fluctuation in these risks.

The following presents the accounts that are exposed to foreign exchange volatility, as follows:

<b>As at December 31,</b>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	548	296
Accounts receivable	5,502	4,949
Accounts payable and accrued liabilities	6,227	5,295

An increase or decrease of \$0.05 per foreign currencies as at December 2025 would have an impact of \$190 on the Corporation's consolidated net (loss) income for the year ended December 31, 2025 (December 31, 2024 - \$32).

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#### 22. Financial Instruments

The classification of financial instruments at their carrying values is as follows:

<b>As at December 31,</b>	<b>2025</b>	<b>2024</b>
<b>Financial asset:</b>		
<u>Amortized cost</u>		
Cash	548	296
Accounts receivable	5,502	4,949
<b>Financial liabilities:</b>		
<u>Amortized cost</u>		
Accounts payable and accrued liabilities	6,227	5,295
Revolving credit facility	2,525	2,559
Notes payable <sup>(1)</sup>	2,040	3,621
Financing loan	98	229
Long-term debt <sup>(2)</sup>	25,381	10,270

<sup>(1)</sup> Includes current and non-current notes payable

<sup>(2)</sup> Includes current and non-current long-term

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the Consolidated Statement of Financial Position. In the absence of an active market for a financial instrument, the Corporation uses the valuation methods described below to determine the fair value of the instrument.

To make the assumptions required for certain valuation models, the Corporation relies mainly on external, readily observable market inputs, when available. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the ones that would be used by market participants for these instruments. The credit risk of the counterparty and the Corporation's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivative instruments.

The following valuation assumptions and/or methods were used to estimate the fair value of financial instruments:

- The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolving credit facility are approximately equal to their carrying values due to their short-term maturities;
- The fair value of notes payable, and long-term debt is determined using the discounted cash flow method and calculated using current interest rates for instruments with similar terms and remaining maturities that the Corporation could have obtained on the market at the measurement date; and
- The fair value of derivative instruments is determined using valuation techniques and calculated as the present value of estimated future cash flows using an appropriate exchange rate and interest rate yield curve as well as quoted contract prices on futures exchanges and market data. Assumptions are based on market conditions prevailing on the reporting date. The derivative instruments reflect the estimated amounts that the Corporation would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date.

The carrying values of all the Corporation's financial instruments approximate their fair values, except for the following:

	<b>As at December 2025</b>		<b>As at December 2024</b>	
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair Value</b>
Notes payable <sup>(1)</sup>	2,040	2,066	3,621	3,687
Long-term debt <sup>(2)</sup>	25,381	29,965	10,270	10,379

<sup>(1)</sup> Includes current and non-current notes payable

<sup>(2)</sup> Includes current and non-current long-term debt

Financial instruments are classified using a fair value hierarchy that categorizes the inputs used in fair value measurement techniques into three levels. This hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to

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arrive at measurements based on fair value, such as disposal costs when measuring fair value less disposal costs, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

All financial instruments measured at fair value in the Consolidated Statement of Financial Position were classified according to a hierarchy comprising three levels:

- Level 1: Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2: Valuation based on inputs that are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable; and inputs that are derived mainly from or corroborated by observable market data using correlation or other forms of relationship; and
- Level 3: Valuation techniques based on a significant portion of inputs not observable in the market.

During the years ended December 31, 2025, and 2024, all the Corporation's financial instruments, including derivative instruments, were classified as Level 3.

The Corporation's policy is to recognize transfers between the different hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the years ended December 31, 2025 and 2024, no financial instruments were transferred between levels 1, 2 and 3.

### 23. Basic and diluted (loss) income per share:

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

	2025	2024
Net (loss) income	(2,820)	3,317
Issued common shares (end of year)	126,729,818	115,532,676
Weighted average number of common shares (basic)	117,616,304	105,413,510
Weighted average number of common shares (diluted)	117,616,304	105,451,437
(Loss) income per common share (basic)	(0.02)	0.03
(Loss) income per common share (diluted)	(0.02)	0.03

The effect of potential issuance of shares under stock options, warrants and convertible debentures would be non-dilutive for the year ended December 31, 2025.

### 24. Additional cash flow information:

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

	2025	2024
Accounts receivable	(307)	(508)
Inventories	(2,274)	(1,767)
Prepaid and deposit	(57)	(407)
Accounts payable and accrued liabilities	(834)	(1,303)
Net change in non-cash operating working capital items	(3,472)	(3,985)
Unpaid acquisition of property plant and equipment	51	307
Reallocation of deposits on plant property and equipment	1,523	-
Non-cash increase in right of use assets	3,198	2,458

# LSL PHARMA GROUP INC.

## Notes to the Consolidated Financial Statements

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

For the years ended December 31, 2025 and 2024

### 25. Segment information:

The business segments are determined based on the Corporation's internal reporting, management structure and the way key strategic, operating commercial decisions are made. The results of the operating segments are regularly reviewed by the Corporation's management to make decisions on resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Corporation has determined that it has only one reportable operating segment. This single operating segment generates revenues from the sale of a wide range of products, including liquid and semi-solid pharmaceutical, natural health products, cosmetic products, sterile ophthalmic pharmaceuticals as well as from rendering services related to the sale of these products. The Corporation manages its business segment as a single strategic operating unit.

Revenues are attributed to the geographic segment based on the location where the Corporation has transferred control of the goods to the customer. The Company primarily operates in one principal geographical area, Canada, accordingly all of the Company's long-lived assets are located in Canada.

The following table presents details on the Company's revenues by geographic segment:

	2025	2024
Canada	28,460	15,275
United States	124	2,145
Other foreign markets	160	328

### 26. Other Assets – acquisition deposit

On December 23, 2025, the Company entered into a share purchase agreement to acquire 100% of the shares of Juno OTC Inc. Although a portion of the purchase consideration was transferred prior to year-end, the effective date of the transaction and the transfer of control occurred on January 1, 2026. Accordingly, the Company has recognized the amount paid as an advance related to the acquisition as at December 31, 2025. The Corporation is currently assessing the fair value of the assets acquired and liabilities assumed and the acquisition will be accounted for as a business combination in 2026. Refer to note 27.

### 27. Subsequent events:

- a) On January 1, 2026 the Corporation completed the acquisition of Juno ITC Inc., for a total purchase price of \$5,000 paid as follows:
  - \$2,500 paid in cash
  - \$2,000 paid by issuance of 5,509,642 class "A" common shares of the Corporation
  - \$500 cash balance to be paid January 1, 2027 subject to any working capital adjustments.
- b) On February 3, 2026 the Corporation granted an aggregate of 960,000 stock options to its non-executive directors and to certain executives and employees, as part of their compensation. The Options have an exercise price of \$0.52 per share and are exercisable for a period of ten (10) years from the date of grant. Options granted to non-executive directors' vest immediately as of the date of grant while options to executives and employees vest over three (3) years. The Options were granted in accordance with the Corporation's Stock Option Plan.
- c) During the month of February 2026, the Corporation reached an agreement with Caisse Populaire Desjardins des Patriotes to increase its operating line of credit from \$7.5 million to \$11 million, by leveraging the assets of the recent Du-Var acquisition. Consequent to the increase of the operating line of credit, the Corporation repaid the totality of Du-Var's \$1.2 million operating line of credit with Royal Bank of Canada ("RBC") in April 2026. Net of the RBC repayment, the increase in the line of credit, provides LSL Pharma, \$2.3 million of additional short term borrowing capacity to support its growth.