LSL PHARMA GROUP INC.

Management's Discussion and Analysis

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First Quarter ended
March 31, 2025

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-month periods ended March 31, 2025 and 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the quarter ended on March 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 May 28, 2025. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at www.sedarplus.ca.

Non-IFRS Financial Measures

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

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

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

Non-IFRS Measures	Definition
Adjusted Gross Profit	is defined as Gross Profit from product sales less amortization charges relating to intangible assets and depreciation charges relating to property, plant and equipment, as well as special provisions outside of the normal course of business such as plant shutdown and moving costs. Management believes that adjusted Gross Profit better reflects the impact of gross profit contribution on cash flow.
EBITDA	is defined as net income or loss adjusted for income taxes, depreciation of property, plant and equipment, amortization of intangible assets, interest on short-term and long-term debt, and other financing costs such as foreign exchange gains or losses, interest income and other. Management uses EBITDA to assess the Company's operating performance.
Adjusted EBITDA	is defined as EBITDA less non-recurring gains or expenses such as gains on business acquisitions, special provisions and expenses outside of the normal course of business, special recruitment and severance costs, stock-based compensation, costs of issuing warrants or options, moving/relocation expenses and other expenses related to the Company'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 income (loss) to EBITDA (and Adjusted EBITDA) are presented later in this document.

Use of Estimates and Judgments

The preparation of these unaudited condensed interim 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 3 of the Corporation's 2024 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	Q1-24	First quarter FY-24
COGS	Cost of Goods Sold (or Cost of Sales)	Q4-23	Fourth quarter FY-23
EBITDA	Earnings before Interest Tax Depreciation and Amortization	Q3-23	Third quarter FY-23
		Q2-23	Second quarter FY-23
(A)EBITDA	Adjusted EBITDA	QoQ	Quarter over quarter
FY	Quarter	SBC	Share-Based Compensation
GP	Gross Profit	SG&A	Sales, General and Administrative
LTD	Long-term debt	YE	Year-end
Q1-25	First quarter FY-25	YTD	Year to date
Q4-24	Fourth quarter FY-24	YoY	Current FY results vs last FY results
Q3-24	Third quarter FY-24	W/C	Working Capital, defined as short-term assets less short-term liabilities
Q2-24	Second quarter FY-24		

Corporate & Operations			
CMO	Contract Manufacturing Organization	Îledor	Corporation Exploration Îledor
Dermolab	Dermolab Pharma Ltd.	LSL Labs	LSL Laboratory Inc.
FDA	United States Food and Drug Administration	RTO	Reverse takeover
Fera	Fera Pharmaceuticals, LLC	Steri-Med	Steri-Med Pharma
HC	Health Canada	TSXV	Toronto Stock Venture Exchange
HO	Head Office	VSI	Virage Santé Inc.

SEGMENT REPORTING

LSL Pharma Group, is an integrated Canadian pharmaceutical company. The Company has two reportable segments. This reflects our management structure and the way key strategic, operating commercial decisions are made.

1) <u>CMO activities</u>

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

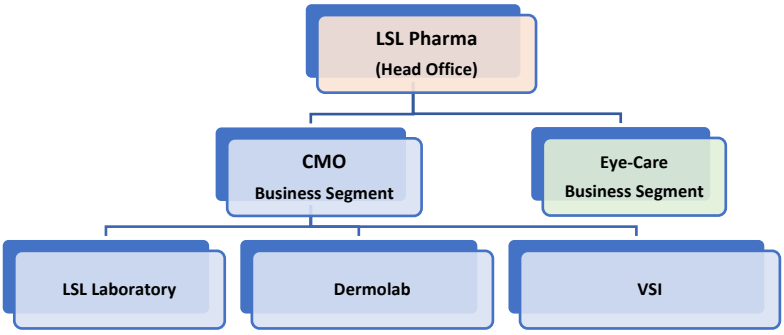
a. LSL Laboratory, manufacturer of natural health products in solid dosage forms, mainly for third-party pharmaceutical clients, as well as a wide list of private labelled products;
b. Dermolab, which manufactures liquid and semi-solid pharmaceutical, natural health and cosmetic products; and
c. VSI 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) Eye-care segment

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.

Corporate Structure

The Corporation's corporate structure is presented below:



HO functions are supporting our two business units' operating entities, by providing services such as finance, accounting, cash management, 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 leveraging its HO services and by incorporating other operating/manufacturing sites. As of the date of this document, the Corporation has 185 full-time employees, including 21 occupying HO functions.

Corporate strategy and future development

LSL Pharma's management intends to pursue a two-pronged growth strategy, **FIRST** by expanding its CMO activities by adding products and complementary services to better support its expanding customer base, either organically or through acquisitions, and **SECOND** by investing in its Steri-Med operations to take advantage of its unique capabilities for developing and manufacturing sterile ophthalmic products. One of Steri-Med's biggest opportunity is to establish itself as a leader in the development, manufacturing and commercialization of "*first-to-market"* ophthalmic generic products for the Canadian, US and foreign markets.

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 time larger than the prior site), expanded capabilities, by expanding its private label activities and by leveraging relationships with existing/new customers.

VSI

On June 18, 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. Revenues from VSI have been consolidated into our results starting June 1, 2024. The excess of the fair value of net assets acquired over consideration paid resulted in a recognition of $157 of Goodwill.

During the month of September 2024, the Corporation secured a 15-year $1.4 million term loan using the Virage Santé plant as collateral. Since the end of FY-24, VSI has been fully integrated into LSL Pharma's CMO operations.

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 and (ii) a cash payment of $955 on closing. The cash portion of the purchase price was financed by the proceeds of a concurrent debt financing and will be subject to post-closing adjustments.

LSL Pharma realized a gain of $4,864 on acquiring Dermolab. The acquisition is expected to boost LSL Pharma's revenues by approximately 40% for the upcoming quarter. The acquisition is also expected to broaden Dermolab's customer base which will benefit from the LSL Group's expanded service offering. As of the date of this document, the integration of Dermolab has been completed and already providing synergies and benefits to the global CMO activities.

M&A Criteria for expanding the CMO activities

LSL Pharma group 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 are:

1) *Financially accretive* – The Corporation is looking to add operations that can immediately contribute to its profitability.
2) *Provide scale and synergies* – Acquisition must add scale and offer the opportunity 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.

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. For now, 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 Eye-care ointment Manufacturing Operations - Steri-Med Pharma

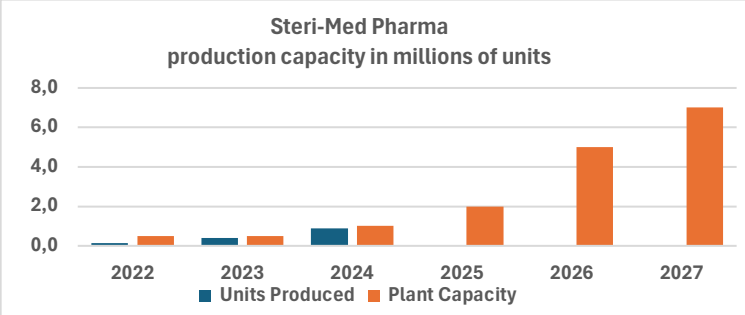
Our growth strategy at Steri-Med would be achieved by optimizing and increasing production capacity. The incremental capacity will serve to meet expanding demand for the Corporation's existing products as well as support the production of new products under development.

Canada is a participant to Mutual Recognition Agreements (MRAs), covering drug/medicinal products Good Manufacturing Practices (GMP) Compliance Programs. Consequently, products such as those manufactured by Steri-Med can be sold to several foreign territories accepting "Health Canada labelled products". Due to the scarcity of high quality sterile ophthalmic ointment manufacturers worldwide, international demand for our products has been increasing. Historically, our production capacity has restricted our ability to sell our products outside Canada. However the Corporation has implemented a series of initiatives aimed at increasing its production capacity. During the 2024 fiscal year unit production increased two-fold as compared to the prior year level, following the addition and validation of new production equipment.

In order to significantly increase its production capacity, Steri-Med acquired a new US$1.7 million sterile ointment manufacturing line.

The new line has been delivered in April 2025 and is expected to be operational in H1-26. Once fully operational, production capacity will increase 5-fold thus providing more flexibility to accelerate the development and manufacture of new products for local and international markets.

The graph below presents the historical (up to 2024) and projected production capacity (in standard units).



Existing Product Pipeline and New Products under Development

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.

Current marketed products are described below:

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

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

1. IQVIA Data - 2024

Erythromycin, used to treat bacterial infections of the eyes.

Format Type	1 gram, and 3.5-gram eye ointment (*Generic*)
Commercial / Distribution	Hospital/ retail distribution across all provinces in Canada. Product is offered by all major retail banners
Reimbursement	Listed for public reimbursement in Qc, Manitoba, BC, and New Brunswick. Covered by most insurance companies.
Market environment	3 players in Canada – the Corporation enjoys a 30-40% market share
Market Size	Canada - $6.4 Million[1] Note: other jurisdictions may accept our Canadian labelled products when subject to product shortages
US Market and other countries	During the second half of FY-23, due to a shortage of Erythromycin Eye-care ointment in the US market, LSL Pharma entered into an exclusive agreement with Fera, a U.S. specialty pharmaceutical company, to provide Erythromycin for the treatment of newborns in U.S. hospitals. To ensure continuous supply of the product in the country, the FDA granted Fera temporary discretion to import Erythromycin Eye-care ointment for the prevention of gonococcal ophthalmia neonatorum. Fera's import permit expired June 30, 2024. In addition to supplying Canadian labelled products to the US, the Corporation has also supplied products to foreign clients which are representing a growing % of its revenues.

1. IQVIA Data - 2024

US Commercialization / FDA accreditation

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

Avaclyr (acyclovir ophthalmic ointment)

In Q1-24, Fera Pharmaceuticals filed Avaclyr with the FDA to obtain marketing approval. Avaclyr is indicated for the treatment of acute herpetic keratitis (dendritic ulcers) with Steri-Med as its GMP manufacturing site. Once approved, Steri-Med will manufacture Avaclyr under contract. The US approval for Avaclyr will also designate Steri-Med as a compliant site for manufacturing other products for US commercialization. As at the date of this MD&A, Steri-Med was still working on addressing FDA requirements.

Discussions are taking place with other potential partners regarding the co-development/commercialization of other products currently under development for the US market.

Development pipeline

Steri-Med intends to develop *first-to-market* generic ophthalmic products. The rationale for developing a pipeline of generic ophthalmic products is described below:

- >60 off-patent ointments/eye drops products currently face NO/limited generic competition in Canada, US and other major markets;
- Innovators enjoy maximum pricing, and lack of competition due to challenges related to the Development / Manufacturing of these products;
- Steri-Med has the expertise and capabilities to develop a pipeline of drugs for these lucrative markets by leveraging its partnership with Fera or other foreign partners.
- Global manufacturing capabilities for sterile eye-care products (ointments / drops) is very limited.
- First-to market ophthalmic generic products enjoy the benefit of :
    - lower development costs and regulatory risk ($0.3-0.6 million);
    - shorter development timelines vs innovative drugs (less than 5 years to peak sales);
    - limited price erosion vs innovator at launch;
    - rapid market share gains at launch due to price advantage and established market;
    - limited commercial/marketing expenses and shorter time to peak sales.

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

R&D Pipeline

			Status / Timelines for Completion			
Products / Projects	**Type**	**Market**	**Development / R&D**	**Regulatory Filing**	**Approval**	**Market**
Avaclyr - FERA Pharma	(CMO) Ointment- Rx	USA			H2-2025	
SMM-810	Ointment- OTC	Canada / USA				H2-2026
SMS-0200	Ointment- OTC	Canada		H2-2025		
SMA-0300	Medical device	Canada		H1-2026		
SMT-0400	Ointment- Rx	Canada / USA		H1-2026		
SMT-0450	Ointment- Rx	Canada / USA		H1-2026		

Current 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.

In April 2025, the Corporation announced the signing of two new agreements to market up to 10 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 Company and to regulatory approvals, but 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.

In-Licensing Pipeline

			Status / Timelines for Completion				
Products / Projects	**Type**	**Market**	**Agreement signed**	**Due diligence**	**Filling**	**Approval**	**Market**
MPL - A105	Eye drop - Rx	Canada				H2-2025	H1-2026
MPLT - A110	Eye drop - Rx	Canada				H2-2025	H1-2026
MPD - A205	Eye drop - Rx	Canada				H2-2025	H1-2026
MPDT - A210	Eye drop - Rx	Canada				H2-2025	H1-2026
MPB - A305	Eye drop - Rx	Canada				H2-2025	H1-2026
MPB - A310	Eye drop - Rx	Canada				H2-2025	H1-2026
SHS - B505	Eye drop - Rx	Canada		H2-2025			H2-2026
SHS - B510	Eye drop - Rx	Canada		H2-2025			H2-2026
SHS - B515	Gel - Rx	Canada		H2-2025			H2-2026
SHI - B600	Eye drop - Rx	Canada		H2-2025			H2-2026

Together, these products represent annual sales of more than $105 million in Canada, according to IQVIA Canada. Four of the new products would be exclusive to the Company 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 Company and to regulatory approvals.

Q1-25 Corporate Highlights

- **On March 10, 2025** - the Corporation secured a $0.75 million bridge loan from an arms' length party to help fund operations (the "Bridge Loan"). The Bridge Loan is non-secured, non-convertible, bears interest at 12% and is repayable before June 30, 2025.
- **On March 31, 2025** - the Corporation announced the appointment of Louis Laflamme to its board of directors. Mr. Laflamme is Entrepreneur in Residence for Medtech Ventures Fund of Sectoral Asset Management Inc. Previously, he was President, CEO and director of OpSens Inc. (TSX:OPS) from January 2013 to March 2024, when it was acquired by Haemonetics for $345 million. The Corporation also announced that it has entered into an agreement with Mr. Laflamme for advisory and consulting services (the "Services Agreement"). Accordingly, Mr. Laflamme will not be considered as an "independent" director of the Corporation.

Subsequent Events to Q1-25

- **On April 3, 2025** - the Corporation announced the signing of two new agreements to market up to ten (10) sterile eye drops for the prescription market in Canada. These products will significantly enhance the product portfolio of the Eye-care division. The Company expects to start commercialization of some of these products as early as the fourth quarter of 2025. Together, these products represent an annual market of over $105 million in Canada (Source: IQVIA Canada 2024). Four of the new products would be exclusive to the Company for the Canadian market and currently have no generic equivalent on the Canadian. Commercialization of the new products remains subject to satisfactory due diligence by the Company and to regulatory approvals.
- **On April 10, 2025** - the Corporation received a $50 payment from Investissement Québec ("IQ"), representing the first portion of a $200 non-refundable payment made under the Quebec Immigrant Investor Program (the "QIIP"). IQ granted the Corporation a $200 non-refundable funding to help Steri-Med acquire a new production line. The remaining amount of $150 is expected to be received before the end of the 2025 fiscal year.
- **On April 29, 2025** - the Corporation received $500 from BDC representing the second and last tranche of the Secured BDC loan secured on December 20, 2024. (See note 13 vii of the Corporation's 2024 Audited financial statements).
- **Subsequent to the end of the quarter**, the Corporation was notified of a court ruling against LSL Laboratory Inc. regarding a dispute over certain costs related to the building and relocation of its plant in 2022. The amount of the ruling amounts to $0.3 million plus interest. The Corporation intends to vigorously contest this ruling and is currently assessing its rights to appeal the court decision. The unaudited interim condensed consolidated financial statements prepares as at March 31, 2025 do not include any provision for this claim. Should the Corporation be required to pay any amount under this claim, such amount would be capitalized as leasehold improvement representing an addition to our long-term assets.

SELECTED FINANCIAL DATA

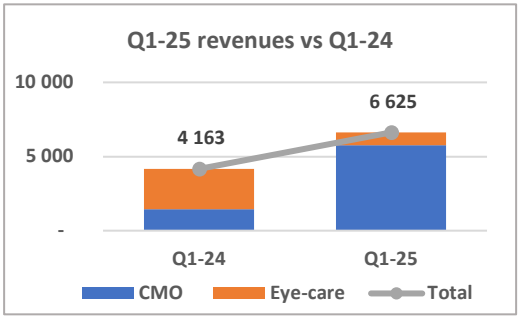
Our revenues are presented by operating segments. The first reportable segment includes revenues from CMO operations. The second reportable segment includes revenues from the sale of Eye-care products. Eye-care product sales currently include ointments products manufactured at our Steri-Med plant. We 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.

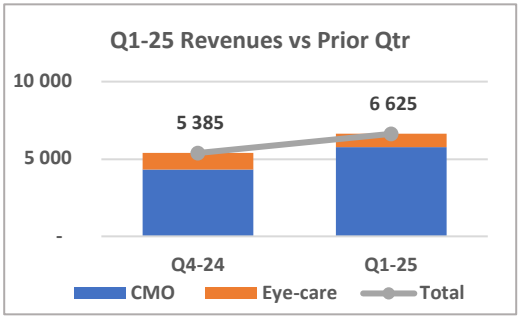
The following table and graphs present the financial information relating to the periods indicated and should be read in conjunction with our March 31, 2025, Unaudited interim condensed consolidated financial statements. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial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

Financial Statements of net income (loss)

	Q1-25	Q1-24	Change $	Change %
Revenues				
CMO	5 748	1 438	*4 310*	*300%*
Eye-Care	877	2 725	*(1 848)*	*-68%*
Total Revenues	**6 625**	**4 163**	***2 462***	***59%***
Gross profit	2 106	1 146	*960*	*84%*
Adjusted Gross Profit	2 542	1 480	*1 062*	*72%*
Adjusted Gross Profit as % of Total revenues	*38%*	*36%*	*2%*	
SG&A	(1 659)	(967)	*(692)*	*72%*
SG&A as % of Total revenues	*25%*	*23%*	*2%*	
Operating Profit	**447**	**179**	***268***	***150%***
Share-based Compensation	(14)	-	(14)	100%
Financial Expenses	(588)	(459)	*(129)*	*28%*
Net loss	**(155)**	**(280)**	***125***	***-45%***
EBITDA	904	513	*391*	*76%*
Adjusted EBITDA	**918**	**513**	***405***	*79%*

- The Corporation delivered record quarterly revenues in Q1-25, at $6.6 million, up 59% compared to Q1-24. Due to the addition of revenues from Dermolab and Virage Santé, both acquired last year, CMO revenues quadrupled at $5.7 million in Q1-25 compared to $1.4 million for Q1-24, a 300% increase. Also, CMO revenues benefited from the growth in revenues at LSL Laboratories which is now leveraging the capital investments made over the last 2 years for expanding its service offering and capacity. Revenues from the Eye-care division were down 68% during Q1-25 compared to Q1-24. Last year, Q1-24 revenues benefited from important non-recurrent sale of products to the US under an FDA exemption due to a local shortage of Erythromycin (the "US Shortage"). Such sales ended in Q1-24.





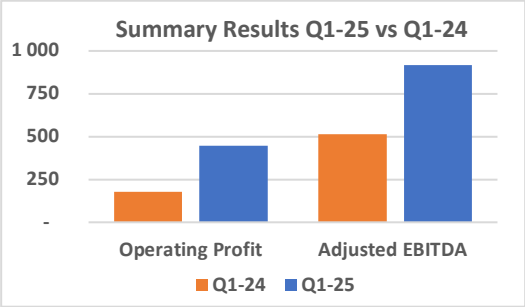
- **Adjusted Gross Profit** for Q1-25 after eliminating the impact of depreciation, and amortization, stood at $2.5 million, a 72% increase over Q1-24. Adjusted Gross Profit benefited from the contribution of Dermolab and Virage Santé for the full quarter. The increased production at all 4 sites, contributed to improve gross profit as the plants were able to increase production compared to last year.

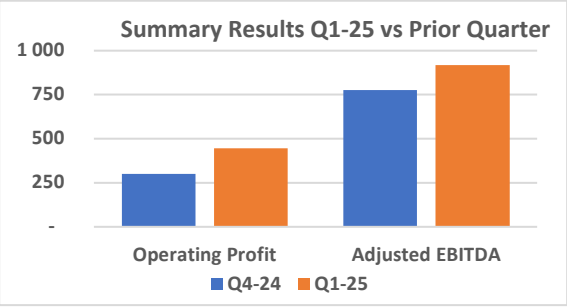
- **SG&A** expenses for Q1-25 were $1.7 million compared to $1.0 million in Q1-24, a 72% increase, mainly due to the addition of Dermolab and VSI. The increase in SG&A expenses was in line with the increase in revenues. We expect SG&A expenses to decrease as a % of total revenues going forward.

- **Operating Profit.** LSL Pharma generated operating profits in Q1-25 at $0.4 million compared to a $0.2 million last year. The $0.3 million, or 150% improvement was due to the strong increase in revenues, and increased production for all 4 sites.

- **Financial Expenses** for Q1-25 were 28% higher than Q1-24. Despite the conversions and repayment of several debt/loans during the year, financial expenses for Q1-25 were impacted by the increased expenses on lease facilities as the LSL laboratory, addition of the Dermolab lease starting December 2024. Several initiatives were taken during last year to reduce the cost of carrying our various loans and debts. These initiatives should help reduce our cost of capital for the upcoming year.

- **Net loss.** For the Q1-25 period, the Corporation reduced its net loss by 45% in Q1-25 compared to Q1-24 at $0.2 million. The QoQ performance was due to an increase in gross profit between the periods derived from the strong increase in revenues which more than offset the increase in SG&A and financial expenses.
- **EBITDA** for Q1-25, after eliminating the impact of financial expenses, depreciation and amortization was $0.9 million compared to $0.5 million for Q1-24, representing a strong 76% increase.
- **Adjusted EBITDA.** After eliminating, share-based compensation, and other non-recurrent items, (A) EBITDA for Q1-25 was a $0.9 million profit compared to $0.5 million for Q1-24 representing a 79% improvement. Graphs below illustrate the Corporation's comparative performance between the respective periods:





We present below a reconciliation of the GP to Adjusted GP, and EBITDA to Adjusted EBITDA for Q1-25 and Q1-24:

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

ADJUSTED GROSS PROFIT RECONCILIATION			*Change*	
	Q1-25	Q1-24	*$*	*%*
Revenues	**6 625**	4 163	*2 462*	*59%*
Gross profit	**2 106**	1 146	*960*	*84%*
Gross profit as % of revenues	***31,8%***	*27,5%*	*4,3%*	
(+/-) Adjustments				
Depreciation and amortization	**436**	334	*102*	*31%*
Adjusted Gross Profit	**2 542**	1 480	*1 062*	*72%*
Adjusted Gross Profit as % of revenues	***38,4%***	*35,6%*	*2,8%*	

ADJUSTED EBITDA RECONCILIATION			*Change*	
	Q1-25	Q1-24	*$*	*%*
Net loss	**(155)**	(280)	*125*	*-41%*
Finance expense, net	**588**	459	*129*	*27%*
Depreciation and amortization	**471**	334	*137*	*44%*
EBITDA	**904**	513	*391*	*78%*
% of revenues	***13,6%***	*12,3%*	*1,3%*	
(+/-) Adjustments				
Share-based compensation	**14**	-	*14*	*100%*
Adjusted EBITDA	**918**	513	*405*	*79%*
% of revenues	***13,9%***	*12,3%*	*1,5%*	

SELECTED BALANCE SHEET HIGHLIGHTS

As at the end of the period:	**Q1-25**	**YE-24**	*Change* $	*Change* %
Statements of financial position				
Current assets	**17 693**	15 376	*2 317*	*15%*
Fixed assets	**22 941**	22 939	2	0%
Intangible assets	**13 430**	13 272	158	1%
Total assets	**55 987**	53 510	*2 477*	*5%*
Current liabilities	**11 721**	9 652	*2 069*	*21%*
Long-term notes payable	**3 629**	3 621	*8*	*0%*
Long-term debt excluding lease liabilities	**9 604**	8 903	*701*	*8%*
Total Liabilities	**31 236**	28 618	*2 618*	*9%*
Shareholders' equity	**24 751**	24 892	*(141)*	*-1%*

Our Statement of financial position at the end of Q1-25 continues to the significant progress made during FY-24 to strengthen our balance sheet.

- **Current assets** increased by 15% at the end of Q1-25 compared to YE-24. The $2.3 million increase comes mainly from a $2.6 million increase in inventory, partly offset by a decrease in cash, accounts receivable and prepaids. Our inventory level at the end of Q1-25 reflects the increase in operating and commercial activity during the quarter compared to the last portion of FY-24.
- **Total Assets** increased by 5% at the end of Q1-25 compared to YE-24, a $2.5 million increase in line with the increase in short-term assets plus a nominal increase in intangible assets as the Corporation kept investing in its Eye-care product pipeline.
- **Current liabilities** have increased by $2.1 million in Q1-25 with accounts payable increasing by $1.2 million, the addition of a $0.75 million note and $0.6 million of other liabilities, partly offset by a $0.3 million decrease in the short-term portion of LTD. The increase in short-term liabilities was in line with the increase in short-term assets.
- **Long-term Notes payable and long-term debt excluding lease liabilities** increased by $0.7 million between YE-24 and the end of Q1-25 reflecting further advances from Finacces Capital.
- **Total liabilities** increased by 9% at the end of Q1-25 compared to YE-24. The increase in total liabilities resulted mainly from the increase in short-term liabilities.
- **Shareholders Equity** decreased slightly in Q1-25, reflecting the nominal loss for the period.

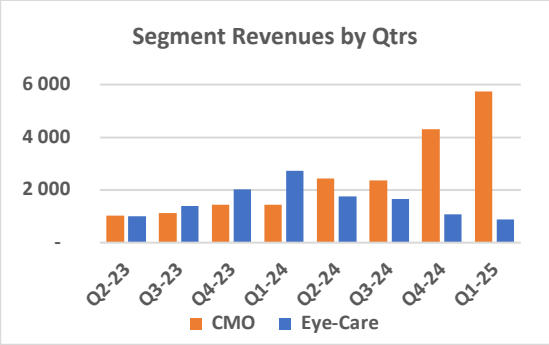
SELECTED QUARTERLY PERFORMANCE
(See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

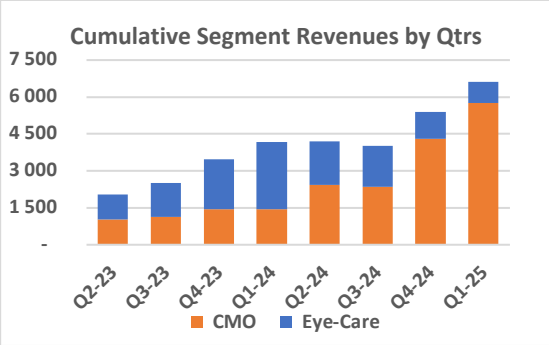
The following table sets out the Corporation's selected unaudited quarterly financial information. This information is derived from unaudited interim financial statements prepared by management in accordance with IFRS. The following quarterly information is presented on the same basis as our audited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

	Q1-25	Q4-24	Q3-24	Q2-24	**Q1-24**	Q4-24	Q3-23	Q2-23
Revenues								
CMO	**5 748**	4 305	2 357	2 441	**1 438**	1 440	1 129	1 022
Eye-Care	**877**	1 080	1 652	1 750	**2 725**	2 019	1 382	1 012
Total Revenues	**6 625**	5 385	4 009	4 191	**4 163**	3 459	2 511	2 034
Gross Profit	**2 106**	1 472	1 194	1 536	**1 146**	100	466	692
Adjusted Gross Profit	**2 542**	1 900	1 548	1 882	**1 480**	344	813	947
as % of Total Revenues	***38%***	*35%*	*39%*	*45%*	***36%***	*10%*	*32%*	*47%*
SG&A	**(1 659)**	(1 172)	(1 109)	(1 276)	**(967)**	(832)	(802)	(1 341)
as % of Total revenues	***25%***	*22%*	*28%*	*30%*	***23%***	*24%*	*32%*	*66%*

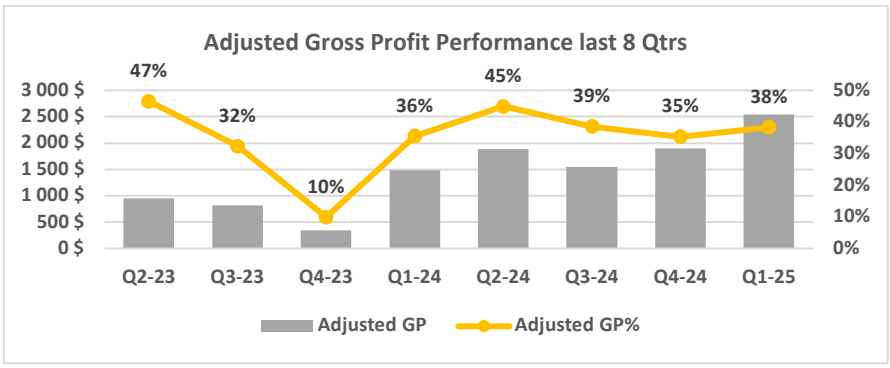
Operating Profit (loss)	**447**	300	85	260	**179**	(732)	(336)	(649)
Share-Based Compensation	**(14)**	(16)	-	(402)	**-**	-	-	-
Financial Expenses	**(588)**	(552)	(478)	(414)	**(459)**	(538)	(426)	(388)
Gain on acquisition	**-**	4 817	7	40	**-**	-	-	-
Deferred Income Tax	**-**	(50)	-	-	**-**	-	-	-
Net income (loss)	**(155)**	4 499	(386)	(516)	**(280)**	(1 270)	(762)	(1 037)
EBITDA (loss)	**904**	5 576	446	244	**513**	(488)	11	(360)
Adjusted EBITDA (loss)	**918**	775	456	673	**513**	(411)	95	(260)
as % of Total Revenues	***14%***	*14%*	*11%*	*16%*	*12%*	*-12%*	*4%*	*-13%*

Revenues. The Corporation's revenues increased steadily over the last 8 quarters except for a small decline in Q3-24 due to the plants summer shut-down. CMO revenues have trended upwards since LSL Laboratory completed its relocation at the start of FY-23. The CMO revenues have also benefited from the acquisition of VSI in Q2-24 as well as the acquisition of Dermolab last December 2024. Revenues for the Eye-care segment have benefited from the non-recurrent US Shortage situation in Q4-23 and Q1-24, as well as the impact of new international contracts secured in Q2-24 and Q3-24. Below we present the revenues by business segment.

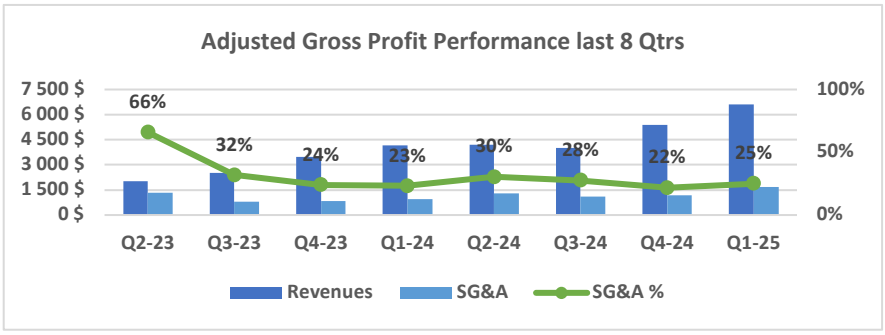




- **GP** and **Adjusted GP** have fluctuated significantly over the last 8 quarters as the operating costs and products margins were influenced by the level of revenues and mix of revenues between the 2 operating units. (A) GP in Q4-23 has been impacted by YE-23 adjustments, including inventory write-offs.



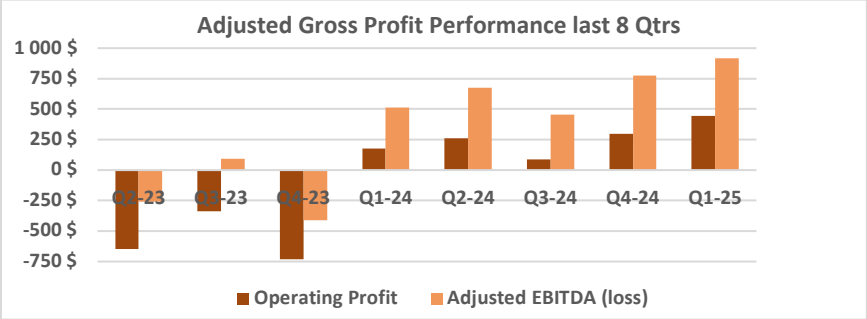
- **SG&A** expenses in Q2-23 reflected the large expenses related to the FY-22 Audit in preparation for the RTO. SG&A in Q1-25 reflected the addition of Dermolab, aquired at the end of FY-24.



- **Operating Profit (Loss).** LSL Pharma has generated operating profits for the fifth consecutive quarter in Q1-25. The 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. The acquisitions of VSI and Dermolab have generated additional gross profit thus contributing directly to our operating results.

- **Share-Based Compensation** in Q1-23 represented the costs for issuing options at the RTO and for new staff and board members in Q2-24. Up until Q2-24, the Corporation granted options fully vested on grant which contributed to recognize the full impact of issuing options at the time of grant. The Corporation changed its policy for granting options in June 2024. The cost of issuing options going forward is now reflected over a 3-year period.
- **Financial Expenses.** Financial expenses over the last 8 quarters have been relatively the same. New debts and notes secured during these periods have been offset by debt repayments or conversion into equity. The Corporation continues to evaluate opportunities to leverage its improved financial performance to refinance its debt instruments and capitalize on lower cost of capital.
- **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 Q2-24 and Q3-24. Following such adjustments, there was no gain on acquisition for VSI. No further adjustments are expected for either VSI and Dermolab.
- **Net Income (loss)** in Q4-23 was impacted by YE adjustments (see Gross Profits) while net loss increased in Q1-24 due to share-based compensation expenses. The Corporation generated a $4.5 million net income in Q4-24 as a result of a non-recurrent gain on acquisition of Dermolab.
- **Adjusted EBITDA (loss)**. Our Adjusted EBITDA performance has improved over the last 2 years and is reflective of the expansion of our CMO operations, and the increased production levels at all operating sites.



LIQUIDITIES AND CAPITAL RESOURCES

			Change	
	Q1-25	Q1-24	*$*	*%*
Operating Activities				
Net loss from operations	**(155)**	(280)	*125*	*-45%*
Other items not affecting cash	**1 073**	793	*280*	*35%*
Changes in non-cash working capital	**(1 401)**	(2 423)	*1 022*	*-42%*
Cash provided (used) by operations	**(483)**	(1 910)	*1 427*	*-75%*
Investing Activities				
Cash used by investing activities	**(636)**	(689)	*53*	*-8%*
Financing Activities				
Cash provided by financing activities	**1 000**	2 558	*(1 558)*	*-61%*
Decrease in cash	**(119)**	(41)	*(78)*	*190%*
Cash, beginning of the period	**296**	8	*288*	*3600%*
Cash, end of the period	**177**	(33)	*210*	*-636%*

- **Cash used in operations** in Q1-25 period was $0.5 million compared to $1.9 million in Q1-24 representing a $1.4 million improvement mainly due to changes in non-cash W/C using $1.4 million as opposed to $2.4 million, a $1.0 million positive variance between the two periods. Net loss also improved between the 2 quarters by $0.1 million,

and items not affecting cash contributed $1.1 million in Q1-25 compared to $0.8 million in Q1-25, for a $0.3 million positive variance.

- **Investing activities** used $0.6 million of cash during Q1-25 for addition to plant and equipment as well as intangible, compared to $0.7 million in Q1-24.
- **Financing activities** for Q1-25 contributed net proceeds of $1.0 million compared to $2.6 million in Q1-24. Proceeds in Q1-25, came from the issuance of a short term-note plus further advances from Finacces Capital, less scheduled loan repayments, while net proceeds in Q1-24 came from the issuance of shares from a non-brokered private placement.
- **Net cash** decreased slightly during Q1-25 by $0.1 million, compared to nominal change in Q1-24.

Transaction with related parties and shareholders:

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

For the 3-month period	**Q1-25**	Q1-24
Revenues from a company controlled by a Director	**-**	2,035
Expenses		
Salaries, benefits, consulting and board fees	**256**	391
Interest earned on notes and debentures	**41**	49
Share-based compensation	**14**	-

We present below the related party transactions included in the consolidated statement of financial position.

As at the end of the quarter	*Notes*	**Q1-25**	Q1-24
Assets:			
Receivable from a company controlled by a Director		**386**	1,635
Liabilities:			
Key management personnel			
Notes payable		**100**	279
Notes payable to/advances from a company controlled by a key management personnel	*1,2*	**1,587**	479
Convertible Debentures recorded in long-term debt		**125**	125
Secured Debenture recorded in current portion of long-term debt	*3*	**-**	150
Director			
Secured Debentures recorded in current portion of long-term debt	*3*	**-**	1,000

1. *During FY-24, the Corporation borrowed from a company controlled by a key management personnel, an amount of $1,000 bearing interest at 10% per annum, repayable on January 1, 2028. The Corporation also borrowed from a company controlled by a key management personnel, an amount of $587 bearing interest at 12% per annum, repayable on February 1, 2026.*
2. *$1,000 in long-term notes payable were issued to a company controlled by key management personnel at 10% per annum, repayable on January 1, 2028.*
3. *In December 2024, the Corporation repaid all secured debentures from the proceeds of the BDC loan (see note 6 of our unaudited interim condensed consolidated financial statements)*

Liquidities

As at the end of the period	**Q1-25**	YE-24	*Change $*	*Change %*
Cash	**177**	296	*(119)*	*-40%*
Accounts receivables	**5 225**	4 949	*(276)*	*6%*
Inventories	**11 672**	9 116	*2 556*	*28%*
Prepaid expenses and deposits	**610**	1 006	*(396)*	*-39%*
Total Current Assets	**17 693**	15 376	*2 317*	*15%*
Accounts payable and accrued liabilities	**6 344**	5 195	*1 149*	*22%*
Short term financing and current portion of LTD	**5 377**	4 457	*920*	*21%*
Total Current Liabilities	**11 721**	9 652	*2 069*	*21%*
Working Capital	**5 972**	5 724	*248*	*4%*

LSL has generated operating profits and positive EBITDA for each of the last 5 quarters. Working Capital remains strong at $6.0 million at the end of Q1-25, up 4% compared to YE-24. LSL Pharma believes that improved operating cash flows, and access to its existing operating line of credit provide adequate financial flexibility to meet its operating and financial obligations. The Corporation is confident in its ability to secure additional capital from conventional lenders should it requires more capital to grow its businesses and fund product development.

Financial risks and fair value measurement – *refer to our 2024 Annual Audited Financial Statements – Note 21.*

Risk Factors

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

Disclosure of Outstanding Share Data

LSL Pharma's authorized share capital consists of an unlimited number of Class A Common Shares. As of May 28, 2025, LSL Pharma had 115,532,676 Class A Common Shares outstanding *(See Escrowed shares below)*. In addition, a total of 49,751,072 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:

i. 4,697,143 Class A Common Shares issuable upon conversion of the Convertible Debentures (*See below)*
ii. 36,123, 659 Class A Common Shares issuable upon exercise of Warrants and Compensation warrants,
iii. 8,930,270 Class A Common Shares issuable upon exercise of Options (assuming full vesting).

Escrowed shares

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 of 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 ending February 27, 2026. As per the terms of the escrow agreement, a certain % of escrowed shares are released from escrow at 6 months intervals. *More details on the escrow agreement can be found in the Corporation's latest Information Circular available on SEDARPLUS.CA.*

Remaining escrowed shares and date of releases are as follows:

Date of release	**# Common shares**
August 27, 2025	5,276,850
February 27, 2026	14,071,600
Total remaining	**19,348,450**

Listing of Convertible Debentures on the TSXV

3,288 unsecured convertible debentures with a nominal value of $10 per debenture have been trading on the TSXV exchange since May 24, 2024 under the symbol "LSL.DB". The debentures are convertible at a price per share of $0.70, bear interest at a rate of 10% (previously 11% up until April 30, 2025), and mature on November 30, 2027.

More details on the debentures are available on SEDARPLUS.CA.