

Condensed Interim Consolidated Financial Statements of

LSL PHARMA GROUP INC.

Three-month and nine-month periods ended September 30, 2025, and 2024
(Unaudited)

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

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Financial position

(All amounts in thousands of Canadian dollars)

(Unaudited)

As at	Notes	September 30, 2025	December 31, 2024
ASSETS			
Current			
Cash and cash equivalents		449	296
Accounts receivable, net		5,886	4,949
Inventories, net		13,391	9,216
Prepaid expenses		920	1,006
Income tax asset		9	9
Total current assets		20,655	15,476
Deposits		74	1,543
Property, plant and equipment, net		24,751	22,939
Intangible assets, net		14,328	13,272
Deferred tax asset		223	223
Goodwill	4	157	157
Total assets		60,188	53,610
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		4,117	5,295
Revolving credit facility	5	6,790	2,559
Notes payable	7	1,250	-
Current portion of long-term debt	6	813	1,367
Current portion of lease liabilities		484	447
Current portion of financing loan		84	84
Total current liabilities		13,538	9,752
Long-term notes payable	7	3,123	3,621
Long-term debt	6	12,140	8,903
Lease liabilities		4,055	4,426
Financing loan		166	229
Deferred tax liability		1,787	1,787
Total liabilities		34,809	28,718
SHAREHOLDERS' EQUITY			
Share capital and warrants	8	38,454	36,386
Equity component of convertible debenture	6 (v)	-	375
Contributed surplus		3,566	3,048
Deficit		(16,641)	(14,917)
Total shareholders' equity		25,379	24,892
Total liabilities and shareholders' equity		60,188	53,610

Subsequent events (note 14), See accompanying notes

On behalf of the Board of Directors:

(Signed) François Roberge _____, Director

(Signed) Mario Paradis _____, Director

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of loss and Comprehensive loss

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

(Unaudited)

	Notes	Three months ended September 30		Nine months ended September 30	
		2025	2024	2025	2024
Revenues					
CMO		6,581	2,357	18,792	6,236
Eye-Care Division		995	1,652	2,627	6,127
Total Revenue		7,576	4,009	21,419	12,363
Cost of goods sold	10	5,245	2,815	14,921	8,487
Gross profit		2,331	1,194	6,498	3,876
Expenses					
Selling, general and administrative	10	1,849	1,109	5,229	3,352
Operating profit		482	85	1,269	524
Share-based compensation	8 (c)	88	-	138	402
Gain on business acquisition		-	(7)	-	(47)
Loss on debt settlement	6	757	-	757	-
Finance expenses	9	817	478	2,098	1,351
Net loss, being the comprehensive loss for the period		(1,180)	(386)	(1,724)	(1,182)
Basic and diluted loss per share	12	(0.01)	(0.00)	(0.02)	(0.01)

See accompanying notes

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

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

(Unaudited)

	Notes	Class A shares and warrants			Equity component of convertible debenture	Contributed surplus	Deficit	Total
		Number of shares	Number of warrants	Amount				
Balance as at January 1, 2024		82,433,577	40,566,758	24,198	375	2,316	(18,234)	8,655
Net loss		-	-	-	-	-	(1,182)	(1,182)
Share and warrants issuance	8(a,b)	33,099,099	33,099,099	13,240	-	-	-	13,240
Share issuance costs	8 (a)	-	206,475	(762)	-	16	-	(746)
Expired warrants		-	(39,748,673)	-	-	-	-	-
Share-based compensation	8 (c)	-	-	-	-	402	-	402
Balance as at September 30, 2024		115,532,676	34,123,659	36,676	375	2,734	(19,416)	20,369
Balance as at January 1, 2025		115,532,676	36,123,659	36,386	375	3,048	(14,917)	24,892
Net loss		-	-	-	-	-	(1,724)	(1,724)
Share and warrants issuance	8 (a,b)	5,687,500	5,746,875	2,275	-	-	-	2,275
Share issuance costs	8 (a)	-	-	(207)	-	5	-	(202)
Redemption of convertible debenture units	6(v)	-	-	-	(375)	375	-	-
Share-based compensation	8 (c)	-	-	-	-	138	-	138
Balance as at September 30, 2025		121,220,176	41,870,534	38,454	-	3,566	(16,641)	25,379

See accompanying notes

LSL PHARMA GROUP INC.

Consolidated Statements of Cash Flow

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

(Unaudited)

	Notes	Three months ended September 30 2025	2024	Nine months ended September 30 2025	2024
OPERATING ACTIVITIES:					
Net loss for the period		(1,180)	(386)	(1,724)	(1,182)
Adjustments for:					
Depreciation and amortization		606	354	1,784	1,034
Finance expenses	9	817	478	2,098	1,351
Loss on debt settlement	6	757	-	757	-
Gain on business acquisition		-	(7)	-	(47)
Share-based compensation	8 (c)	88	-	138	402
		2,268	825	4,777	2,740
Net change in non-cash working capital items	13	(5,508)	(526)	(6,469)	(3,662)
Cash used by operating activities		(4,420)	(87)	(3,416)	(2,104)
INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment		(849)	(1,196)	(1,663)	(2,668)
Addition of intangible assets		(715)	(167)	(1,522)	(516)
Business acquisition		-	(30)	-	(2,135)
Cash used by investing activities		(1,564)	(1,393)	(3,185)	(5,319)
FINANCING ACTIVITIES:					
Repayment of long-term debt		(6,545)	(721)	(7,358)	(1,431)
Repayment of acquired indebtedness		-	-	-	(281)
Issuance of long-term debt	6	8,384	1,400	9,480	1,400
Issuance costs of long-term debt		(210)	(12)	(284)	(12)
Proceeds from issuance of common shares and warrants	8 (a)	2,275	960	2,275	8,230
Share issuance costs	8 (a)	(207)	(236)	(207)	(746)
Interest paid		(590)	(155)	(1,546)	(529)
Net change in revolving credit facility		(1,452)	(165)	4,231	(140)
Net change in lease liabilities and financing loans		(197)	294	(589)	182
Net change in notes payable		-	-	750	(250)
Net change in long-term notes		6	(10)	2	1,156
Cash provided by financing activities		1,464	1,355	6,754	7,579
Net change in cash and cash equivalents		(4,520)	(125)	153	156
Cash and cash equivalents, beginning of year		4,969	289	296	8
Cash and cash equivalents, end of period		449	164	449	164

See accompanying notes

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

1. Reporting entity

LSL Pharma Group Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The head office and the registered office of the Corporation is located at 1800-540, rue D'Avaugour, Boucherville, Québec. These condensed interim 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., and Groupe Immobilier LSL Inc. together referred as the "Group". The Group develops, manufactures and commercializes sterile pharmaceutical products, cosmetic products and natural health products.

2. Basis of preparation

These condensed interim consolidated financial statements do not include all the information required of a full set of annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Corporation since the end of the last annual reporting period. It is therefore recommended that these condensed interim consolidated financial statements be read in conjunction with the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2024.

These condensed interim consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on November 19, 2025, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Therefore, these condensed interim consolidated financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements.

3. Use of judgments and estimates:

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses and the disclosures. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in the Corporation's 2024 audited annual consolidated financial statements and are still applicable for the three and nine-month periods ended September 30, 2025.

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

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

	Estimated fair value
Base 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	(131)
Total consideration	2,369

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.

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

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

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Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

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, and natural health products. The acquisition enabled revenue and earnings growth, while also broadening the Corporation's client base and service portfolio.

The purchase price 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
Base Consideration on closing (December 18, 2024)	
Total cash consideration on closing	955
Post-closing working capital adjustment ⁽¹⁾	265
Total consideration	1,220

⁽¹⁾ 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. No goodwill arose from the business combination with Dermolab.

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 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 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
Assets acquired:	
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
	11,622

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Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

Liabilities assumed:

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
	5,538
Total net assets acquired, and liabilities assumed	6,084
Total consideration	1,220
Gain on acquisition	4,864
Total consideration for the outstanding shares acquired	6,084

5. Revolving credit facility

On June 27, 2025, the Corporation entered into a revolving credit facility agreement with Caisse Desjardins des Patriotes. The maximum amount available is \$7,500 and is based on a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at September 30, 2025, was \$6,790.

The TD Bank and Scotia Bank credit facilities were both settled and terminated in July 2025.

6. Long-term debt

As at:	September 30, 2025	December 31, 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 ^(v)	-	2,474
Secured loan from BDC-1 ^(vi)	4,923	4,421
Secured loan from BDC-2 ^(vii)	4,053	-
Secured loan from Desjardins ^(viii)	3,977	-
	12,953	10,270
Current	813	1,367
Non-current	12,140	8,903
Total	12,953	10,270

(i) Finaccès Capital Inc.

During 2025, the Corporation received further advances of \$596 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

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Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

2039, and was fully settled by the Corporation in July 2025, which resulted in a non-cash loss on settlement debt of \$28 presented in the Condensed Interim Consolidate Statements of loss and Comprehensive loss.

(iv) Scotia bank

As part of the Dermolab acquisition (See note 4) 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.

(v) Unsecured convertible debentures

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	85	129
4% early redemption interest penalty	132	-
Non-cash loss on settlement of debt	729	-
Redemption settlement	(3,420)	-
Balance at end of period	-	2,474

(vi) Secured BDC loan-1

On December 20, 2024, the Corporation secured a \$5,000 loan 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. The loan is guaranteed by immovable and movable property of Steri-Med and is jointly guaranteed by all entities of the Corporation. The loan matures December 2049, with monthly installments of \$17 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 6 (viii)), as at September 30, 2025, \$4,192 had been disbursed. The Corporation incurred transaction costs of \$142. The loan bears interest of BDC base rate +2.0% 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 and is jointly guaranteed by all entities of the Corporation. The loan currently matures February 2033, with monthly installments of \$53 beginning July 2026.

(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 6(vii)), as at September 30, 2025, \$4,192 had been disbursed. The Corporation incurred transaction costs of \$142. The loan bears interest of prime rate + an average of 0.9% 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 and is jointly guaranteed by all entities of the Corporation. The loan is payable over an average of 10 years, with current monthly installments of \$40.

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

7. Notes payable

On March 12, 2024, the Corporation agreed with a holder of notes payable totalling \$900 to amend the maturity date to December 27, 2026. The interest rate remained unchanged at 11%. Therefore, the amount was reclassified from short-term notes payable to long-term notes. On July 12, 2024, as part of the second tranche June 2024 Financing, \$400 -of this note was converted. (note 8(a)).

On June 12, 2024, the Corporation issued \$500 note payable maturing July 1, 2026. The note bears an interest rate of 12% payable quarterly.

On December 1, 2024, the Corporation issued \$2,000 notes payable maturing January 1, 2028 and bearing an interest rate of 10% payable monthly and granted the buyers 2,000,000 warrants (See note 8(b)). These warrants were valued at \$46 using a discount rate of 14% which is presented in share capital. The Corporation incurred transactions costs of \$20.

On March 10, 2025, the Corporation issued \$750 note payable maturing June 30, 2025. The note bears an interest rate of 12% payable at maturity. The maturity has since been extended to December 31, 2025. The movement in notes payable is as follows:

	2025	2024
Balance, beginning of year	3,621	3,627
Repayment	-	(451)
Conversion to shares	-	(2,145)
Additions	750	2,500
Transaction costs and accretion	2	90
	4,373	3,621
Current	1,250	-
Non-current	3,123	3,621
Total	4,373	3,621

8. Share capital and warrants

(a) Share capital

Class A Shares ("Class A")

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

During 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 ^(1,2)
March 19, 2024 ⁽³⁾	First tranche March 2024 Financing	Cash	2,685	6,713,566
March 19, 2024 ⁽³⁾	First tranche March 2024 Financing	Debt conversion	3,749 ⁽⁵⁾	9,373,327
April 24, 2024 ⁽³⁾	Second tranche March 2024 Financing	Cash	3,794	9,485,000
June 27, 2024 ⁽⁴⁾	First tranche June 2024 Financing	Cash	1,491	3,727,000
July 12, 2024 ⁽⁴⁾	Second tranche June 2024 Financing	Cash	960	2,400,000
July 12, 2024 ⁽⁴⁾	Second tranche June 2024 Financing	Debt conversion	560 ⁽⁶⁾	1,400,206
		Cash	8,930	22,325,566
		Debt conversion	4,309	10,773,533
Total 2024			13,239	33,099,099
September 2, 2025 ⁽⁴⁾	September 2025 Financing	Cash	2,275	5,687,500
Total 2025			2,275	5,687,500

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Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

1. 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, and an exercise price of \$0.70.
4. The warrants issued in June-July 2024, and September 2025 had a term of 24 months, and an exercise price of \$0.70.
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. A total of \$800 in financing fees was recorded for all private placements in 2024, and \$207 in 2025.
8. 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 8(b))

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 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. 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 Financing, 7,527,206 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. 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

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
Fair value at grant date	0.10	0.08	0.09	0.08
Share price at grant date	0.41	0.45	0.39	0.39
Exercise price	0.70	0.70	0.70	0.70
Risk-free interest rate	4.3%	4.1%	2.7%	2.7%
Expected volatility	57.9%	61.4%	73.2%	73.2%
Expected life	2.7 years	1.5 years	2.0 years	1.5 years

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

(Unaudited)

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

	Date of Issuance	Warrants	Compensation warrants	Weighted average exercise price
Balance, January 1, 2024		40,566,758	-	0.74
Granted				
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		(39,748,673)	-	0.75
Balance, December 31, 2024		35,917,184	206,475	0.70
September 2025 Financing	September 2, 2025	5,687,500	59,375	0.70
Balance, September 30, 2025		41,604,684	265,850	0.70

(c) Share-based compensation

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

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

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

During the year ended December 31, 2024, the Corporation issued 2,295,270 stock options of which 1,830,000 vested. The remaining 465,270 stock options were to vest 33% on the first three anniversary dates of grant. Lastly, 650,000 vested stock options were cancelled.

During the nine-month periods ended September 30, 2025, the Corporation issued 1,285,000 stock options, 75,000 of these were subsequently cancelled, the remaining vest 33% on the first three anniversary dates of grant. Lastly, 345,000 options granted in 2024 fully vested.

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Changes in the number of outstanding options since January 1, 2024, were as follows:

	Number of exercisable options	Number of options	Weighted average exercise price
Options outstanding, January 1, 2024	6,000,000	6,000,000	0.70
Granted			
April 29, 2024	1,555,000	1,555,000	0.40
June 17, 2024	275,000	275,000	0.48
September 25, 2024	345,000	465,270	0.45
Cancelled during 2024	(650,000)	(650,000)	0.70
Options outstanding January 1, 2025		7,645,270	0.62
Granted			
January 17, 2025	-	625,000	0.37
March 21, 2025	-	160,000	0.37
April 1, 2025	-	500,000	0.37
Cancelled during 2024	-	(75,000)	0.37
Outstanding options, end of period	7,525,000	8,855,270	0.58

The fair values of the options granted during the nine-month period ended September 30, 2025, and the year ended December 31, 2024, have been determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average	2025 Grants	2024 Grants
Fair value at grant date	0.18	0.22
Share price at grant date	0.35	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 statement loss.

The share-based compensation expense recorded under the plan in the consolidated statements of loss and comprehensive loss was \$88 and \$138 during the three- and nine-month periods ended September 30, 2025 (2024 - \$0 and \$402). The options outstanding as of September 30, 2025, have an average weighted exercise price of \$0.58 and a remaining contractual life of 8.3 years.

9. Finance expenses

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Interest expense on long-term debt	284	303	873	938
Interest penalty on redemption of convertible units	132	-	132	-
Interest on notes payable (including paid to related parties)	157	44	475	151
Interest expense on revolving credit facility	113	19	202	43
Other finance expense	59	77	209	122
Interest expense on lease liabilities	72	35	207	97
	817	478	2,098	1,351

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

(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Included in cost of goods sold				
Employee salaries and benefits	2,367	1,062	7,144	3,259
Depreciation and amortization	464	319	1,377	932
Included in selling expenses				
Employee salaries and benefits	73	63	163	209
Included in administrative expenses				
Employee salaries and benefits	855	443	2,234	1,315
Depreciation and amortization	142	35	407	102

11. Transaction with related parties and shareholders

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

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Revenues from a company controlled by a Director	-	110	-	2,320
Expenses				
Salaries, benefits, bonus, consulting and board fees	773	261	1,470	1,074
Interest earned on notes and debentures	37	49	157	147
Share-based compensation	84	-	128	331

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

	Notes	September 30, 2025	December 31, 2024
Assets:			
Receivable from a company controlled by a Director		386	386
Liabilities:			
Key management personnel			
Notes payable, and accrued interest		103	100
Convertible Debentures recorded in long-term debt		-	125
Company controlled by key management personnel			
Notes payable, and accrued interest	1,2	1,702	1,587

Note 1: Between December 2023 and September 2025, 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 8).

Note 2: On December 1, 2024, \$1,000 in long-term notes payable was issued to a company controlled by key management personnel at 10% interest rate, repayable on January 1, 2028 (see note 7).

LSL PHARMA GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

12. Basic and diluted loss per share:

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

	Three months ended September 30, 2025		Six months ended September 30, 2025	
	2025	2024	2025	2024
Net loss	(1,180)	(386)	(1,724)	(1,182)
Issued common shares (end of period)	121,220,176	115,532,676	121,220,176	115,532,676
Weighted average number of common shares (basic)	117,572,757	115,078,304	116,220,176	101,908,904
Weighted average number of common shares (diluted)	117,572,757	115,275,907	116,220,176	102,020,687
Loss per common share (basic & diluted)	(0.01)	(0.00)	(0.02)	(0.01)

13. Additional cash flow information:

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

	Three months ended September 30, 2025		Nine months ended September 30, 2025	
	2025	2024	2025	2024
Accounts receivable	(685)	(125)	(937)	(632)
Inventories	(915)	(317)	(4,175)	(1,212)
Prepaid expenses	(250)	327	86	(270)
Accounts payable and accrued liabilities	(3,658)	(411)	(1,443)	(1,548)
Net change in non-cash operating working capital items	(5,508)	(526)	(6,469)	(3,662)

14. Subsequent events:

- 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 we 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 14, 2025 - the Corporation secured a \$0.6 million bridge loan from a company controlled by key management personnel (the "Bridge Loan"). The Bridge Loan is non-secured, non-convertible, bears interest at 10% and is repayable before December 31, 2025.
- On November 17, 2025, LSL Pharma Group expanded its contract manufacturing activities by acquiring Du-Var Laboratory Inc. ("Du-Var"). Du-Var adds 30,000 s.f. of manufacturing capacity to the CMO segment and is expected to increase the CMO revenues 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. LSL Pharma expects to derive significant synergies from this transaction considering Du-Var is located within 10 km of each of Dermolab and the Corporation's head office. The total consideration for the transaction included (i) the aggregate of Du-Var's operating line of credit, term loan and equipment leases totaling a maximum of \$2.9 million and (ii) a nominal cash payment on closing. For the 12-month period ended on August 31, 2025, Du-Var generated a net loss \$2.1 million and Adjusted EBITDA of \$0.5 million respectively, from \$4.4 million of revenues. As at August 31, 2025, Du-Var had total assets of \$6.9 million, and liabilities of \$5.1 million including bank/third party loans totaling \$3.0 million. Over the last several months, LSL Pharma has been working with Du-Var's management to ensure a smooth transition and re-build the order backlog.