

Condensed Interim Consolidated Financial Statements of

LSL PHARMA GROUP INC.
(formerly Corporation Exploration Îledor)

Three-month and six-month periods ended June 30, 2024 and 2023
(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 except for share, unit, warrants and per share/units amounts)

(Unaudited)

	Notes	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		289	8
Accounts receivable		3,269	2,682
Inventories		5,309	4,109
Prepaid expenses		1,010	405
Total current assets		9,877	7,204
Deposits		20	20
Property, plant and equipment		17,978	14,745
Intangible assets		9,076	8,931
Total assets		36,951	30,900
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		3,764	5,976
Revolving credit facility	5	679	670
Notes payable		-	3,096
Current portion of long-term debt	6	4,716	5,215
Current portion of lease liabilities		146	117
Total current liabilities		9,305	15,074
Long-term notes	7, 11	2,097	531
Long-term debt	6	3,678	4,202
Lease liabilities		2,359	2,438
Deferred tax liability		42	-
Total liabilities		17,481	22,245
SHAREHOLDERS' EQUITY			
Share capital and warrants	8	35,395	24,198
Equity component of convertible debenture		375	375
Contributed surplus		2,730	2,316
Deficit		(19,030)	(18,234)
Total shareholders' equity		19,470	8,655
Total liabilities and shareholders' equity		36,951	30,900

Going concern (note 2 (b)); Subsequent events (note 15)

See accompanying notes to condensed interim consolidated financial statements.

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, unit, warrants and per share/units amounts
(Unaudited))

	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023 (Recast – Note 2 (c))	2024	2023 (Recast – Note 2 (c))
Revenues		4,191	2,034	8,354	4,058
Cost of goods sold	10	2,655	1,342	5,672	2,979
Gross profit		1,536	692	2,682	1,079
Expenses					
Selling expenses	10	91	103	193	160
Administrative expenses	10	1,182	1,139	2,047	1,717
Research and development expenses		3	99	3	133
Total operating expenses		1,276	1,341	2,244	2,010
Operating profit (loss)		260	(649)	439	(931)
Costs related to reverse acquisition	14	-	-	-	2,550
Gain on business acquisition	4	(40)	-	(40)	-
Share-based compensation	8 (c)	402	-	402	2,117
Profit (Loss) before finance expenses and income taxes		(102)	(649)	77	(5,598)
Finance expenses, net	9	414	388	873	842
Income taxes		-	-	-	-
Net loss, being the comprehensive loss for the period		(516)	(1,037)	(796)	(6,440)
Basic and diluted loss per share	12	(0.00)	(0.01)	(0.01)	(0.08)

See accompanying notes to condensed interim consolidated financial statements.

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

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

(Unaudited)

	Class A shares and warrants			Equity component of convertible debenture	Contributed surplus	Deficit	Total	
	Notes	Number of shares	Number of Warrants					Amount
Balance as at December 31, 2022 (Recast – Note 2 (c))		68,089,000	33,606,000	15,053	-	(9,762)	5,261	
Net loss (Recast – Note 2 (c))		-	-	-	-	(6,440)	(6,440)	
Share and warrants issuance (Recast – Note 2 (c))	8 (a,b)	13,518,708	5,971,855	9,463	-	-	9,463	
Effect of reverse acquisition (Recast – Note 2 (c))	14	825,869	-	537	-	-	537	
Share-based compensation (Recast – Note 2 (c))	8 (c)	-	-	-	2,117	-	2,117	
Share issuance costs, net of tax of nil (Recast – Note 2 (c))	8 (a)	-	670,818	(855)	-	128	(727)	
Balance as at June 30, 2023 (Recast – Note 2 (c))		82,433,577	40,248,673	24,198	-	2,245	10,241	
Balance as at December 31, 2023		82,433,577	40,566,758	24,198	375	2,316	(18,234)	8,655
Net loss		-	-	-	-	(796)	(796)	
Share and warrants issuance	8 (a,b)	29,298,893	29,298,893	11,720	-	-	11,720	
Share issuance costs, net of tax of nil	8 (a)	-	169,975	(523)	-	12	(511)	
Expired warrants	8 (b)	-	(33,106,000)	-	-	-	-	
Share-based compensation		-	-	-	402	-	402	
Balance as at June 30, 2024		111,732,470	36,929,626	35,395	375	2,730	(19,030)	19,470

See accompanying notes to condensed interim consolidated financial statements.

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Cash Flow

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

(Unaudited)

	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023 (Recast – Note 2 (c))	2024	2023 (Recast – Note 2 (c))
Cash provided by (used in):					
OPERATING ACTIVITIES:					
Net loss for the period		(516)	(1,037)	(796)	(6,440)
Adjustments:					
Consideration transferred from Îledor in excess of net liabilities assumed	14	-	-	-	1,090
Depreciation and amortization		346	289	680	538
Finance expenses, net	9	414	389	873	842
Share-based compensation	8 (c)	402	-	402	2,117
Gain on business acquisition	4	(40)	-	(40)	-
Net change in non-cash operating working capital items	13	(713)	368	(3,136)	(2,803)
		(107)	9	(2,017)	(4,656)
INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment		(929)	(230)	(1,472)	(348)
Acquisition of intangible assets		(203)	-	(349)	(25)
Increase in advances payable to shareholders		-	(10)	-	(10)
Business acquisition	4	(2,105)	-	(2,105)	-
		(3,237)	(240)	(3,926)	(383)
FINANCING ACTIVITIES:					
Repayment of long-term debt		(326)	(212)	(710)	(3,000)
Issuance of long-term debt		-	835	-	1,235
Repayment of acquired indebtedness	4	(281)	-	(281)	-
Proceeds from issuance of common shares and warrants	8 (a)	5,285	-	7,270	9,463
Share issuance costs	8 (a)	(365)	-	(510)	(727)
Interest paid		(274)	(264)	(374)	(515)
Net change in other financial liabilities		-	(217)	-	(686)
Net increase (decrease) from revolving credit facility		(505)	(78)	25	(78)
Payment of lease liabilities		(56)	(64)	(56)	(138)
Net increase in long-term notes		438	-	1,166	-
		3,666	-	6,224	5,554
Net change in cash and cash equivalents		322	(231)	281	515
Cash and cash equivalents, beginning of period		(33)	746	8	-
Cash and cash equivalents, end of period		289	515	289	515

Additional cash flow information is presented in note 13.

See accompanying notes to condensed interim consolidated financial statements.

LSL PHARMA GROUP INC.

Notes to 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"), formerly Corporation Exploration Îledor ("Îledor") up to the completion of the reverse takeover, as defined below, is incorporated under the Canada Business Corporations Act. The head office and the registered office of the Corporation is located at 540, rue D'Avaugour, Boucherville, Québec. These condensed interim consolidated financial statements comprise 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) and Groupe Immobilier together referred as the "Group". The Group develops, manufactures and commercializes sterile pharmaceutical products and natural health products.

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

In connection with the RTO, the following transactions occurred:

- In connection with the RTO, the Corporation completed a series of private placements (the "RTO private placements"), and issued a total of 11,943,708 Units (the "Units") and 1,575,000 Class A common shares for gross proceeds of \$9,463. Issuance costs amounted to \$855 including \$727 for Units and Class A common share issuances, and \$128 for the issuance of 670,818 compensation warrants ("Compensation Warrants – RTO"). The assumptions used to estimate the fair value of the compensation warrants using the Black-Scholes option pricing model are presented in note 8 (b). Each Unit consists of one (1) Class A common share (post-consolidation) and one half (1/2) warrant. Each whole warrant entitles the holder to acquire one (1) additional Class A common share (post-consolidation) at a price of \$1.00 for a period of 18 months. The fair value attributed to the warrants in this transaction is \$0.10 per warrant or \$0.05 per one half (1/2) warrant (using a volatility of 57.5%);
- 662,818 Compensation Warrants – RTO were paid as commissions for the First Tranche Private Placement and 8,000 Compensation Warrants – RTO were paid as commissions for the Second Tranche Private Placement, where each such Compensation Warrants – RTO entitles its holder to acquire one Unit (on the same terms as the Units in the RTO private placements) at a price of \$0.70 per Unit for a period of 18 months from the closing date of the offering;
- A stock option plan was established by the Resulting Issuer;
- Following the RTO and the RTO private placements, there were 82,433,577 issued and outstanding Class A common shares (post-Consolidation) of LSL Pharma Group Inc., of which the former common shareholders of LSL Laboratory Inc. controlled a majority.

For accounting purposes, it has been determined that Îledor was the accounting acquiree and LSL Laboratory Inc. was the accounting acquirer as the shareholders of LSL Laboratory Inc. now control LSL Pharma Group Inc., based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer. Since LSL Laboratory Inc. is considered the accounting acquirer, these condensed interim consolidated financial statements are prepared as a continuation of the financial statements of LSL Laboratory Inc. As a result, 2022 comparative information included herein is solely that of LSL Laboratory Inc. For simplicity, transactions undertaken by LSL Laboratory Inc. are referred to as being undertaken by the Corporation in these condensed interim consolidated financial statements.

On March 1, 2023, the Class A common share of LSL Pharma Group Inc. began trading on the TSX Venture Exchange ("TSXV") under the symbol "LSL".

On May 24, 2024, the Convertible Debentures issued in connection with a brokered private placement in Q4-2023, began trading on the TSXV under the symbol "LSL.DB". The Unsecured Debentures which may be redeemable by the Corporation, have a maturity date of October 31, 2028 (the "Maturity Date"), and accrue interest at the rate of 11% per annum (subject to adjustments) payable semi-annually on the last day of April and October of each year with the first interest payment to take place on October 31, 2024. At the holders' option, the Debentures may be converted into Class A shares of the Corporation at any time and from time to time, up to the Maturity Date, at a conversion price of \$0.70 per share.

On June 18, 2024 the Corporation announced the acquisition of 100% of the shares of Gestion Gisele Lacasse Inc., the controlling entity of Virage Santé Inc. (refer to note 4).

2. Basis of preparation

(a) Basis of presentation:

These unaudited condensed interim consolidated financial statements do not include all the information required of a full set of annual financial statements and is 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 consolidated financial statements of the Corporation for the year ended December 31, 2023.

LSL PHARMA GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

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

(Unaudited)

These condensed interim consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on August 23, 2024.

These condensed interim 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"). 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.

(b) Going concern:

These condensed interim consolidated financial statements have been prepared on the going concern basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Corporation has incurred net losses and negative cash flows from operations for the six-month period ended June 30, 2024, and an accumulated deficit as at June 30, 2024. The Corporation's business plan is dependent upon generating positive cash flows, the continued financial support of its shareholders and lenders and/or raising additional funds to finance operations within and beyond the next 12 months. The Corporation has relied upon external financings to fund its operations in the past, primarily through the issuance of debt and equity, as well as from government assistance and investment tax credits. While the Corporation has been successful in securing financing in the past, raising additional funds is dependent on several factors outside the Corporation's control, and as such there is no assurance that it will be able to do so in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue operating as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

If the Corporation is unable to realize its projected revenues and generate positive cash flows from operations and/or obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations.

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

(c) Recast of comparative figures – correction of errors:

For the period ended June 30, 2023, the Corporation identified material misstatements in measurement and recognition of certain items to the consolidated financial statements related to the following subjects:

- Share capital and notes payable: The Corporation reclassified an amount of \$350 from share capital and warrants to \$250 of notes payable and \$100 of long-term notes payable to related parties at December 31, 2022.
- Costs related to reverse takeover: The Corporation identified misstatements in measurement and recognition of the RTO.
- Share-based compensation: The Corporation identified material misstatements in the vesting period of stock options.

The statements below summarize the impact of correcting the misstatements for the June 30, 2023.

	As previously reported	Share capital and notes payable	Reverse takeover	Share-based compensation	As recasted – June 30, 2023
ASSETS					
Current assets					
Accounts receivable	1,461	-	15	-	1,476
Total current assets	6,775	-	15	-	6,790
Total assets	29,561	-	15	-	29,576

LSL PHARMA GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

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

(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable	1,982	250	-	-	2,232
Total current liabilities	10,457	250	-	-	10,707
Long-term notes	-	100	-	-	100
Total liabilities	18,985	350	-	-	19,335
SHAREHOLDERS' EQUITY					
Share capital and warrants	24,397	(350)	151	-	24,198
Contributed surplus	1,110	-	(74)	1,209	2,245
Deficit	(14,931)	-	(62)	(1,209)	(16,202)
Total shareholders' equity	10,576	(350)	15	-	10,241
Total liabilities and shareholders' equity	29,561	-	15	-	29,576

	As previously reported	Share capital and notes payable	Reverse takeover	Share-based compensation	As recasted – June 30, 2023
Operating loss					
Costs related to reverse acquisition	2,488	-	62	-	2,550
Share-based compensation	908	-	-	1,209	2,117
Loss before finance expenses and income taxes	(4,326)	-	(62)	(1,209)	(5,597)
Loss before income taxes	(5,168)	-	(62)	(1,209)	(6,440)
Net loss, being the comprehensive loss for the period	(5,168)	-	(62)	(1,209)	(6,440)
Basic and diluted loss per share	(0.07)	-	-	-	(0.08)

	As previously reported	Share capital and notes payable	Reverse takeover	Share-based compensation	As recasted – June 30, 2023
Cash provided by (used in):					
OPERATING ACTIVITIES:					
Net loss for the period	(5,369)	-	(62)	(1,209)	(6,440)
Adjustments:					
Consideration transferred from Îledor in excess of net liabilities assumed	1,032	-	58	-	1,090
Share-based compensation	908	-	-	1,209	2,117
Net change in non-cash operating working capital items	(2,788)	-	(15)	-	(2,804)
	(4,637)	-	(20)	-	(4,657)
FINANCING ACTIVITIES:					
Share issuance costs	(747)	-	20	-	(727)
	5,534	-	20	-	5,554
Net change in cash and cash equivalents	515	-	-	-	515
Cash and cash equivalents, beginning of period	-	-	-	-	-
Cash and cash equivalents, end of period	515	-	-	-	515

LSL PHARMA GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

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

(Unaudited)

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 2023 annual consolidated financial statements and are still applicable for the three and six-month periods ended June 30, 2024.

4. Business acquisition:

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 indebtedness and post-closing working capital adjustment. The cash consideration at closing was paid with available cash on hand.

Estimated fair value

Base consideration:	
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 ⁽¹⁾	(154)
Total consideration	2,346

⁽¹⁾ Post-closing working capital adjustments have been estimated by the Corporation using Virage Sante closing financial statements. The Corporation estimates collecting an adjustment of \$154, this amount is included in Accounts Receivable in the statement of financial position.

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 gain on acquisition of \$40 included in the consolidated statement of loss.

The following table summarizes the effect of the business acquisition since the effective date of the acquisition June 1, 2024. On a proforma basis, the Corporation estimates operations of Virage Sante for the six-month period ended June 30, 2024, not reflecting any growth, benefit of synergies and integration activities had the acquisition occurred as of January 1, 2024. The proforma results are not necessarily indicative of the results that would have resulted had the acquisition occurred on January 1, 2024, or the results that may be obtained in the future:

	Actuals since acquisition	Proforma results
Revenue	121	731
Net income (loss)	46	(64)

LSL PHARMA GROUP INC.

Notes to Condensed Interim Consolidated Financial Statements

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

	Estimated fair value
Assets acquired:	
Accounts receivable	81
Inventories	306
Prepaid expenses	7
Property, plant and equipment	2,132
	2,526
Liabilities assumed:	
Accounts payable and accrued liabilities	98
Indebtedness	281
Deferred tax liability	42
	421
Total net assets acquired, and liabilities assumed	2,105
Total consideration	2,346
Indebtedness assumed	(281)
Gain on acquisition	40
Total consideration, outstanding shares	2,105

The transaction led to a gain of \$40 to provide some recognition for the Corporation contributing to the Virage Santé results prior to the transaction.

5. Revolving credit facility:

On May 19, 2023, the Corporation entered into a revolving credit facility agreement with TD Bank (the "TD bank facility"). The maximum available amount is \$1,350 and is limited to a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at June 30, 2024 was \$679 (\$670 as at December 31, 2023).

Up to 75% of the amounts due under the TD bank facility are guaranteed by Export Development Canada ("EDC").

6. Long-term debt

	June 30, 2024	December 31, 2023
Secured debentures ⁽ⁱ⁾	4,335	4,851
Second advance payable to Finaccès Capital ⁽ⁱⁱ⁾	797	1,158
Secured loans from Desjardins ⁽ⁱⁱⁱ⁾	536	633
Term loan from Investissement Québec ^(iv)	300	390
Unsecured convertible debentures ^(v)	2,406	2,345
Canadien Emergency Business Account (CEBA)	-	40
Total	8,394	9,417
Current	4,716	5,215
Non-current	3,678	4,202
Total	8,394	9,417

(i) Secured debentures:

On June 10, 2021, the Corporation issued a first tranche of \$4,700 of secured debentures, bearing interest at 6% annually for a total amount of \$4,081, net of transaction fees of \$619 (the "First Tranche Debentures").

On September 9, 2021, the Corporation issued a second tranche of \$300, bearing interest at 6% annually for a total amount of \$271, net of transaction fees of \$29 (the "Second Tranche Debentures").

In December 2022, the Corporation amended the First Tranche Debentures to extend the repayment date from December 10, 2023 to June 10, 2024, for \$4,650 out of the total nominal amount of \$4,700 issued and outstanding First Tranche Debentures.

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The interest rate for the extension period starting December 10, 2023 is 9.5%. The weighted-average effective interest rate on the debentures is 11.86%.

The Corporation has reached an agreement with holders of the First Tranche Debentures to extend the repayment of the First Tranche Debentures prior to December 31, 2024. \$500 of the First Tranche Debentures were settled after June 30, 2024 (See note 15).

Between December 2023 and February 2024, the Corporation amended the Second Tranche Debentures to extend the repayment date from March 9, 2024 to March 9, 2026, for \$250 out of the total nominal amount of \$300 issued and outstanding Second Tranche Debentures. The interest rate for the extension period starting March 9, 2024 is 9.5%. The weighted-average effective interest rate on the debentures is 11.90%.

Debentures totalling \$1,150 are held by related parties (refer to note 11). The secured debentures are guaranteed by some movable and immovable property of the Corporation, except all of its current assets.

The movement in secured debentures is as follows:

	Notes	Six months ended June 30, 2024	Year ended December 31, 2023
Balance at beginning of period		4,851	4,679
Payment		(50)	(50)
Conversion	8(a)	(500)	-
Accretion expense included in interest on long-term debt		54	222
Balance at end of period ⁽¹⁾⁽²⁾		4,335	4,851

(1) \$4,103 of the amount is classified in the current portion as it is repayable within 12 months from June 30, 2024 (\$4,759 as at December 31, 2023).

(2) Subsequent to June 30, 2024, \$500 were repaid and \$150 were converted to equity. (See note 15)

(ii) Finaccès Capital Inc.:

The Corporation received a series of advances from Finaccès Capital. The First advance was fully repaid in March 2023, following the completion of the RTO and was initially recorded at its fair value using an effective rate of 12%. The Corporation recorded a loss of \$55 (refer to note 9) resulting from this transaction in the statement of loss and comprehensive loss during the six months ended June 30, 2023.

The Second advance is secured by a second rank guarantee over specific accounts receivable and bears interest at 18% annually and any unpaid advances are due January 1, 2027. The interest rate was amended to 15% as at January 1, 2024.

(iii) Desjardins:

As at June 30, 2024, the Corporation has three loans outstanding with Desjardins totalling \$536 (\$633 as at December 31, 2023). The loans bear interest at prime rate plus 2.5%, are guaranteed by a movable hypothec on LSL Laboratory Inc.'s equipment and by subordinated guarantees on current assets as well as by a guarantee from Investissement Québec.

As at June 30, 2024, the first loan has a balance of \$428 outstanding (\$497 as at December 31, 2023), matures on April 1, 2025 and is payable in monthly instalments of \$14. The second loan has a balance of \$58 outstanding (\$68 as at December 31, 2023), matures on April 1, 2025 and is payable in monthly instalments of \$2. The third loan has a balance of \$50 outstanding (\$68 as at December 31, 2023), matures on July 1, 2025 and is payable in monthly instalments of \$3.

(iv) Investissement Québec:

In December 2022, the term loan from Investissement Québec was amended. The term loan is repayable in 48 monthly instalments of \$10, maturing in December 2026. The term loan bears interest at prime rate plus 5.05% and is guaranteed by movable property of Steri-Med, present and future, tangible and intangible.

(v) Unsecured convertible debentures

On October 25, 2023, the Corporation closed the first tranche of a brokered private placement through the issuance of 229,300 unsecured convertible debentures for gross proceeds of \$2,293. The Corporation incurred transaction costs of \$405 including fair value of 229,300 compensation warrants issued of \$42.

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On December 8, 2023, the Corporation closed the second tranche through the issuance of 99,500 debentures for gross proceeds of \$995. The Corporation incurred transaction costs of \$176 including fair value of 88,785 additional compensation warrants issued of \$29 (first and second tranches compensation warrants issued altogether referred to as "Compensation Warrants – Unsecured convertible debentures").

The Compensation Warrants – Unsecured convertible debentures are exercisable to acquire one Class A Share of the Corporation at a price of \$0.70 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 prior to the close of business on the earlier of: (i) the last business day immediately preceding the maturity date of October 31, 2028, and (ii) the date fixed for redemption, at a conversion price of \$0.70 per Class A Share (the "Conversion Price"), subject to adjustment in certain events.

The Debentures will, subject to any prior conversion or redemption, mature on October 31, 2028 and are payable on the Maturity Date in cash. The outstanding principal amount bears interest at the rate of 11.00% per year, payable in cash semi-annually on the last day of April and October of each year with the first interest payment to be paid on October 31, 2024. The annual interest rate will be recalculated on April 30 of every year, starting April 30, 2025 and will be equal to the Base Rate less 100 basis points for each business objectives achieved as defined in the debentures agreement with a minimum of 8%.

The Corporation will have the option to convert all principal amount outstanding of the Debentures at the Conversion Price with at least 30 days' prior written notice, if, at any time following the date that is 24 months from the closing date, for the preceding 20 consecutive trading days:

- 1) the daily volume weighted average trading price of the Class A Shares on the TSX Venture Exchange (the "TSXV") is greater than 175% of the Conversion Price; and
- 2) the average daily volume of the Class A Shares traded on the TSXV is no less than the number obtained when dividing the number of shares issued upon conversion of the total amount of Debentures outstanding by twenty (20).

The Debentures will be redeemable, at the Corporation's option (different terms are applicable if the redemption is required to secure financing for a *bona fide* acquisition):

- 1) 110% of the principal amount plus accrued and unpaid interest if redeemed prior to the fourth anniversary of the closing date; and
- 2) 102% of the principal amount plus accrued and unpaid interest if redeemed on or after the fourth anniversary of the closing date but prior to the maturity date.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of \$375. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 21.81%.

The movement in convertible debentures is as follows:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	2,345	-
Additions	-	3,288
Fair value of conversion option allocated to equity, net of transaction costs of \$80	-	(375)
Transaction costs	-	(581)
Accretion expense included in interest on long-term debt in note 8	61	13
Balance, end of period	2,406	2,345

7. Long-term notes:

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 8%. Therefore, the amount was reclassified from short-term notes payable to long-term notes.

On June 12, 2024, the Corporation issued \$500 note payable maturing July 1, 2026. The note bears an interest rate of 12% paid quarterly, with the first interest payment being made on September 30, 2024.

As at June 30, 2024, long-term notes includes \$697 (\$531 as at December 31, 2023) due to related parties (refer to note 11).

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The movement in long-term notes is as follows:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	531	100
Amended to long-term notes	900	-
Additions	666	431
Balance at end of period ⁽¹⁾	2,097	531

⁽¹⁾ Subsequent to June 30, 2024, long-term notes totaling \$400 were converted to equity (See note 15).

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.

In connection with the RTO, the Corporation completed the "RTO private placements", and issued a total of 11,943,708 Units and 1,575,000 Class A common shares for gross proceeds of \$9,463. Issuance costs amounted to \$855 including \$727 for Units and Class A common share issuances, and \$128 for the issuance of 670,818 Compensation Warrants – RTO. The assumptions used to estimate the fair value of the Compensation Warrants – RTO using the Black-Scholes option pricing model are presented in note 8 (c).

The following table provides a breakdown of Units issued as part of the RTO private placements:

	Year ended December 31, 2023
Private placement	8,893,709
Finaccès	3,000,000
Other concurrent investors	49,999
Total	11,943,708

March 2024 Financing

On March 7, 2024, the Corporation announced the launch of a non-brokered private placement financing of Units for minimum gross proceeds of \$2,500 and a maximum of \$3,500 (the "March 2024 Financing"). The maximum amount was increased on April 11, 2024 to \$7,500.

Each Unit (the "March 2024 Units") to be issued pursuant to the March 2024 Financing would be at a price of \$0.40 per unit and will consist of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant (a "March 2024 Warrant"). Each March 2024 Warrant will entitle the holder, subject to adjustments in certain cases, to purchase 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 2024 Financing.

On March 19, 2024, the Corporation announced the closing of the first tranche of the March 2024 Financing for \$2,685 and issued 6,713,566 March 2024 Units. There were no finders' fees paid in connection with the first tranche. Concurrent to the closing of the first tranche, the Corporation settled certain debts outstanding totalling \$3,749 by issuing 9,373,327 March 2024 Units (the "March 2024 Unit for Debt Financing"). The March 2024 Unit for Debt Financing included 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.

On April 24, 2024, the Corporation announced the closing of the second tranche of the March 2024 Financing for \$3,794 and issued 9,485,000 additional March 2024 Units. The Corporation incurred transaction costs of \$34 including fair value of compensation warrants \$4 (refer to note 8(b)).

June 2024 Financing

On June 5, 2024, the Corporation announced the launch of a non-brokered private placement financing of Units for maximum gross proceeds of \$4,500 (the "June 2024 Financing").

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Each Unit (the "June 2024 Units") to be issued pursuant to the June 2024 Financing would be at a price of \$0.40 per unit and consist of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant (a "June 2024 Warrant"). Each June 2024 Warrant will entitle the holder, subject to adjustments in certain cases, to purchase 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.

On June 27, 2024, the Corporation announced the closing of the first tranche of the June 2024 Financing, for \$1,491 and issued 3,727,000 June 2024 Units. The Corporation incurred transaction costs of \$46 including fair value of compensation warrants \$8 (refer to note 8(b)).

For the six-month period ended June 30, 2024, shares were issued in exchange of cash consideration and the settlement of accounts payable balances, accrued interest and secured debentures (nominal amount). For the year ended December 31, 2023, shares were issued in exchange of cash consideration and the acquisition of Îledor, including finders' fees. All shares issued are Class A common shares.

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 at December 31, 2022, there were 33,606,000 warrants outstanding. Each warrant entitles the holder to purchase one Class A common share at a subscription price of \$0.70 per share. On June 30, 2024 33,106,000 of these warrants expired. The remaining 500,000 are set to expire in September 2027.

As part of the RTO Private Placements, 5,971,855 warrants were issued entitling the holder to acquire one (1) Class A common share (post-consolidation) at a price of \$1.00 per common share for a period of 18 months. In addition, the Corporation issued 670,818 Compensation warrants - RTO entitling the holder to acquire one (1) Unit at a price of \$0.70 per Unit for a period of 18 months.

Lastly, as part of the 2023 Unsecured convertible debentures financing, the Corporation issued 318,085 Compensation warrants entitling the holder to acquire one (1) Class A common share (post-consolidation) at a price of \$0.70 per common share for a period of 24 months.

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 tranche of the June Financing, 3,727,000 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. On June 27, 2024 The Corporation issued 94,975 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.

Compensation warrants

During the six-month period ended June 30, 2024, 169,975 compensation warrants were issued (988,903 for the year ended December 31, 2023). The fair value was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	June Financing	March Financing	RTO	Unsecured convertible debentures
Fair value at grant date	0.09	0.05	0.19	0.15
Share price at grant date	0.49	0.40	0.65	0.48
Exercise price	0.70	0.70	0.70	0.70
Risk-free interest rate	4.04%	4.38%	3.66%	4.37%
Expected volatility	58.15%	57.81%	62.67%	74.22%
Expected life	1.5 years	1.5 years	1.5 years	2 years

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Changes in the number of warrants and compensation warrants for the six-month period ended June 30, 2024 were as follows:

	Issuance/expiration date	Number of warrants	Weighted average exercise price
Balance, beginning of period		40,566,758	0.74
Granted during the period			
First tranche March 2024 Financing	March 19, 2024	16,086,893	0.70
Second tranche March 2024 Financing	April 24, 2024	9,485,000	0.70
Compensation warrants - March 2024 Financing	April 24, 2024	75,000	0.70
First tranche June 2024 Financing	June 27, 2024	3,727,000	0.70
Compensation warrants - June 2024 Financing	June 27, 2024	94,975	0.70
Expired during the period	June 30, 2024	(33,106,000)	0.70
Balance, end of period		36,929,626	0.74

(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 is administered by the Board of Directors of the Corporation, and it 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.

On February 22, 2023, in connection with the RTO, LSL Pharma Group Inc. issued 6,000,000 stock options allowing the directors and employees to purchase Class A common shares of the Corporation at a price of \$0.70 per Class A common share. All options granted in connection with the RTO vested on grant.

During the six-month period ended June 30, 2024, the Corporation issued 1,830,000 stock options, and 500,000 stock options expired.

Changes in the number of outstanding options for the six-month period ended June 30, 2024 were as follows:

	Number of shares	Weighted average exercise price
Outstanding options, beginning of period	6,000,000	0.70
Granted during the period	1,555,000	0.40
	275,000	0.48
Cancelled during the period	(500,000)	0.70
Outstanding options, end of period	7,330,000	0.63
Balance exercisable, end of period	7,330,000	0.63

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The fair values of the options granted during the six-month period ended June 30, 2024, have been determined using the Black-Scholes option pricing model using the following assumptions:

Weighted fair value of options at grant date	0.22
Weighted share price at grant date	0.41
Weighted exercise price	0.41
Weighted risk-free interest rate	3.78%
Weighted expected volatility	57.86%
Expected life	5 years
Contractual life	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% 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 402 during the six-month period ended June 30, 2024 (\$2,117 during the six-month period ended June 30, 2023).

The options outstanding as at June 30, 2024 have an average weighted exercise price of \$0.63 and a remaining contractual life of 8.2 years.

9. Finance expense, net:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest expense on long-term debt	304	244	635	478
Interest expense on other financial liabilities and factoring fees	-	48	-	114
Interest on notes payable	22	35	69	77
Interest expense on notes payable to related parties	20	-	38	-
Interest expense on revolving credit facility	5	15	24	31
Change in fair value of advances payable to Finaccès Capital inc.	-	-	-	55
Other finance expense	32	22	45	55
Interest expense on lease liabilities	31	24	62	32
	414	388	873	842

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Included in cost of goods sold:				
Employee salaries and benefits	1,190	771	2,197	1,443
Depreciation and amortization	311	256	611	471
Included in selling expenses:				
Employee salaries and benefits	71	39	146	82
Included in administrative expenses:				
Employee salaries and benefits	442	475	872	908
Depreciation and amortization	33	34	67	68
Acquisition costs	17	-	17	-
Moving costs	-	99	-	132

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11. Transaction with related parties and shareholders:

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

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenues				
From a company controlled by a Director	175	-	2,210	59
Expenses				
Salaries, benefits, consulting and board fees	422	292	813	588
Interest earned on notes and debentures	49	29	98	59
Share-based compensation	331	-	331	1,905

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

	June 30, 2024	December 31, 2023
Assets:		
Receivable from a company controlled by a Director	450	964
Liabilities:		
Key management personnel		
Notes payable	218	302
Notes payable to a company controlled by a key management personnel	479	229
Convertible Debentures recorded in long-term debt	125	125
Secured Debentures recorded in long-term debt	150	150
Director		
Secured Debentures recorded in current portion of long-term debt	1,000	1,000

During the year ended December 31, 2023, the Corporation borrowed from a key management personnel, an amount of \$302 bearing interest at 10%, repayable on January 1, 2026. The Corporation also borrowed from a company controlled by a key management personnel, an amount of \$229 bearing interest at 12%, repayable on February 1, 2026. On March 19, 2024, the amount was converted into Units as part of the first tranche of the Private placement financing (see note 8 (c)).

On February 2, 2024, the Corporation borrowed \$750 from a company controlled by a key management personnel at 12% interest rate, repayable on February 1, 2026. On March 19, 2024, \$271 of this amount was converted into the first tranche of the Private placement financing (see note 8 (c)).

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
		(Recast – Note (c))		(Recast - Note (c))
Net loss	(516)	(1,037)	(796)	(6,440)
Issued common shares (end of period)	111,732,470	82,433,577	111,732,470	82,433,577
Weighted average number of common shares (basic)	105,771,986	82,433,577	95,251,846	78,335,126
Weighted average number of common shares (diluted)	105,891,602	82,433,577	95,311,653	78,335,126
Loss per common share (basic)	(0.00)	(0.01)	(0.01)	(0.08)
Loss per common share (diluted)	(0.00)	(0.01)	(0.01)	(0.08)

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13. Additional cash flow information:

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

	Three months ended June 30		Six months ended June 30	
	2024	2023 (Recast – Note (c))	2024	2023 (Recast – Note (c))
Accounts receivable	221	93	(507)	(235)
Inventories	(733)	(1,133)	(895)	(1,450)
Prepaid expenses	128	122	(597)	(187)
Accounts payable and accrued liabilities	(329)	1,269	(1,137)	(995)
Deferred revenues	-	17	-	24
	(713)	368	(3,136)	(2,803)

14. Reverse acquisition of Îledor by LSL Laboratory inc.:

As described in Note 1, Îledor was considered the accounting acquiree and LSL Laboratory Inc. was the accounting acquirer and, consequently, the transaction was accounted for as a reverse acquisition of Îledor by LSL Laboratory Inc. As Îledor does not meet the definition of a business, the transaction was accounted for as a reverse acquisition of net liabilities pursuant to IFRS 2, Share-based payment.

The acquisition-date fair value of the consideration transferred by the accounting acquirer, LSL Laboratory Inc., for its interest in the accounting acquiree, Îledor, of \$537 or 825,869 Class A common shares was determined based on the fair value of the equity interest that LSL Laboratory Inc. would have had to pay to the owners of Îledor (assuming a fair value per Class A common share post-consolidation of \$0.65 based on the estimated value of the Class A common shares issued in the Private Placement, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition. This is recorded as an increase in Class A common shares in the consolidated statement of financial position. As the fair value of Îledor's identifiable net liabilities assumed at the reverse acquisition date was (\$553), the excess of consideration transferred over the net liabilities assumed of \$1,090 is reflected in costs related to reverse takeover in the consolidated statements of loss and comprehensive loss.

The following table provides a breakdown of expenses incurred in connection with the reverse acquisition of Îledor by LSL Laboratory Inc. during the year ended December 31, 2023:

Consideration transferred from Îledor in excess of net liabilities assumed	1,090
Professional fees	1,330
Exchange, listing fees and others	130
	2,550

15. Subsequent events:

(a) Private Placement

On July 15, 2024, the Corporation announced the closing of the second tranche of the June 2024 Financing, for \$960 and issued 2,400,000 June 2024 Units at a price of \$0.40 per unit. The Corporation incurred \$15 of finders' fees in connection with the second tranche and 36,500 compensation warrants were issued at a price of \$0.70 per unit with a term of 18-month.

Concurrent to the second tranche of the June 2024 Financing, the Corporation also settled certain debts outstanding representing \$560 by issuing 1,400,206 2024 Units at a price of \$0.40 per unit (the "June Unit for Debt Financing"). The June Unit for Debt Financing included conversion of 1) Long-term notes payable for \$400 plus \$10 of accrued interest; and 2) Secured debenture for \$150. Subsequent to the closing of the June Financing, the Corporation settled \$500 of the outstanding First Tranche Debentures.