MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of LSL Pharma Group Inc. ("LSL Pharma" or the "Corporation") for the three-month periods ended March 31, 2024 and 2023. This document should be read in conjunction with the unaudited consolidated condensed financial statements and notes thereto for the fiscal quarter ended on March 31, 2024, which have been prepared in accordance with *IFRS Accounting Standards("IFRS")*. All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share, units and per share amounts. All other currencies are in thousands, unless otherwise stated. This discussion and analysis document was prepared by management from information available as at May 29, 2024. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at www.sedarplus.ca.

Non-IFRS Financial Measures

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

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

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

Adjusted gross margin is defined as gross margin from product sales less amortization charges relating to intangible assets and depreciation charges relating to property, plant and equipment, as well as special provisions outside of the normal course of business such as plant shut-down and moving costs. Management believes that adjusted gross margin better reflects the impact of gross profit contribution on cash flow.

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

Adjusted EBITDA is defined as EBITDA adjusted to eliminate certain non-recurring expenses such as special provisions and expenses outside of the normal course of business, special recruitment and severance costs, stock-based compensation, and other costs of issuing warrants or options, moving expenses and other expenses related to the Company's listing on the TSX Venture Exchange. We use Adjusted EBITDA as a key indicator to assess the performance of our business when comparing results to budgets, forecasts and prior years. Management believes that Adjusted EBITDA is a more accurate measure of cash flow generation than, for example, cash flow from operations, as it eliminates cash flow fluctuations caused by unusual changes in working capital.

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

Use of Estimates and Judgements

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

assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Corporation's 2023 audited consolidated financial statements.

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial

CAGR	Compounded Annual Growth Rate
COGS	Cost of Goods Sold (or Cost of Sales)
EBITDA	Earnings before Interest Tax Depreciation and Amortization
(A)EBITDA	Adjusted EBITDA
G&A	General and Administrative
S&M	Sales and Marketing
SBC	Share-Based Compensation
FY	Fiscal Year
LTD	Long term debt
Q1-24	First quarter FY-24
Q4-23	Fourth quarter FY-23
Q3-23	Third quarter FY-23
Q2-23	Second quarter FY-23
Q1-23	First quarter FY-23
Q4-22	Fourth quarter FY-22
Q3-22	Third quarter FY-22
Q2-22	Second quarter FY-22
YE-23	Year-end 2023, December 31, 2023
YTD	Year to date
YoY	Current FY results vs last FY results
W/C	Working Capital, defined as short-term assets less short-term liabilities

Corporate & Operations

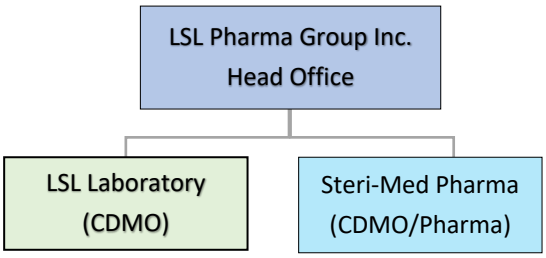
CDMO	Contract Drug Manufacturing Organization
FDA	United States Food and Drug Administration
Fera	Fera Pharmaceuticals, LLC
HC	Health Canada
HO	Head Office
Îledor	Corporation Exploration Îledor
LSL Labs	LSL Laboratory Inc.
RTO	Reverse takeover
Steri-Med	Steri-Med Pharma
TSXV	Toronto Stock Venture Exchange

OVERVIEW OF THE BUSINESS AND BUSINESS STRATEGY

LSL Pharma Group, formerly Îledor (see RTO of Iledor below) is an integrated Canadian pharmaceutical company. The Corporation operates two wholly owned subsidiaries, Steri-Med specializing in the development, manufacturing and commercialization of high-quality sterile ophthalmic pharmaceuticals for the Canadian, US and foreign markets, as well as LSL Laboratory, a CDMO, which manufactures natural health products in solid dosage forms, mainly for third-party pharmaceutical clients.

The Corporation's corporate structure is presented below. The HO functions are supporting the operating entities, by providing services such as finance, accounting, cash management, human resources, supply chain management, legal, IT, regulatory, quality assurance oversight, pharmaco-vigilance etc.. The HO also handles other activities such as investors relation, communication, marketing/ banner and wholesaler relationship management. Going forward, the Corporation intends to scale up its CDMO activities by leveraging its HO services to incorporate other operating/manufacturing entities, thus providing for economies of scale.

The corporate structure is presented below.



As of the date of this document, the Corporation has 85 full time employees, including 15 occupying head office functions.

RTO of Iledor, February 22, 2023, and TSXV Listing of LSL Pharma Group

On March 22, 2023, 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").

Concurrent to the RTO, LSL Pharma Group completed a $8.3 million private placement to fund its corporate and operating initiatives. Subsequent to the RTO and private placement, the shareholders of Iledor controlled 1% of all issued and outstanding shares of LSL Pharma at that time.

On March 1, 2023, the Common Shares of LSL Pharma Group Inc. began trading on the TSX Venture Exchange ("TSXV") under the symbol "LSL". Upon listing of its shares on the TSXV, the Corporation implemented an escrow agreement to restrict the resale of 42.7% of the shares of LSL Pharma over a 3-year period ending February 27, 2026. As per the terms of the escrow agreement, a certain % of escrowed shares are released from escrow at 6 months intervals, taking place on February 27, and August 27 of each year. As at March 31, 2023, 31.7 million shares were still subject to resale restrictions. *More details on the escrow agreement can be found in the Corporation's latest Information Circular available on SEDAR+.*

Listing of Debentures on the TSXV

During the last quarter of FY-23, the Corporation completed a brokered financing, raising gross proceeds of $3.3 million by way of issuance of 3,288 debentures with a nominal value of $10 per Debenture. The terms of the debentures included a condition for the Corporation to list the debentures on the TSVX within 4 months of closing. LSL Pharma Group has received approval from the TSXV for the debentures to start trading on May 24, 2024 under the symbol LSL.DB. (See "Q1-24 Subsequent Events").

Corporate strategy and future development

LSL Pharma's management intends to pursue its growth strategy by expanding its CDMO activities with the addition of products and services to better support its expanding customer base, as well as through acquisitions of companies offering complementary services. LSL Pharma also intends to take advantage of its unique manufacturing capabilities of sterile ophthalmic products by developing first to market ophthalmic generic products.

Organic growth

For LSL Labs:

- Growth over the coming years will be achieved by taking advantage of the expanding operating capacity and by leveraging relationships with existing/new customers. During FY-23, LSL Labs relocated its activities into a new 22,000 sq. ft. plant (~3 times bigger than the prior plant). The new plant will enable the expansion/internalization of manufacturing capabilities. LSL Labs is projecting <20% annual growth over the coming years.

For Steri-Med :

- The organic growth strategy will be achieved by optimizing and increasing its production capacity. Unit production is expected to double in 2024 by introducing new production equipment during Q3-24. Steri-Med is also planning the introduction of a second manufacturing line which will boost capacity and will be operational in FY-25. The new production line will not only increase capacity 5-fold compared to the current level but will also provide the required flexibility to accelerate the development and manufacture the new products.

- Expansion into new markets will also take advantage of Steri-Med's increasing production capacity. Discussions are taking place with potential partners regarding the co-development/commercialization of our products under development.
- Steri-Med is pursuing its efforts to obtain its FDA accreditation. Approval by the FDA to manufacture products for the US market will enable Steri-Med to take advantage of the lucrative US market for ophthalmic products.

Strategic expansion of CDMO operations

LSL Pharma group is actively looking to expand its CDMO activities with the addition of companies whose profile matches its vision and growth strategy. A number of companies and products have already been targeted by management, and advanced discussions are underway.

Criteria used to evaluate business opportunities for companies to be acquired are:

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

Subsequent to the end of Q1-24, the Corporation entered into a binding agreement to acquire a privately held Quebec-based CDMO with complementary capabilities and offering significant synergies with its exiting operations. (See "Q1-24 Subsequent Events")

Steri-Med Pharma Products

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

Current marketed products are described below:

Sterisporin
(Polymyxin B sulfate - bacitracin zinc)

Sterisporin is a combination of antibiotics used to treat certain types of infections caused by bacteria. The eye ointment is used to treat some types of eye infections such as conjunctivitis.

Format Type	3.5-gram eye ointment (*Generic*)
Commercial / Distribution	Retail/Hospital distribution across all provinces in Canada. Product is offered by all major retail banners
Reimbursement	Not listed for public reimbursement. No private coverage.
Market environment	100% market share in Canada, innovator exited the market in 2017
Market Size	$3-5 million

Erythromycin
Erythromycin ophthalmic is used to treat bacterial infections of the eyes.

Format Type	1 gram, and 3.5-gram eye ointment (*Generic*)
Commercial / Distribution	Hospital/ retail distribution across all provinces in Canada. Product is offered by all major retail banners
Reimbursement	Listed for public reimbursement in Qc, BC, and New Brunswick. Covered by most insurance companies.
Market environment	3 players in Canada – the Corporation enjoys a 30-40% market share

Market Size	Canada - $4-6 Million, United States - $10+ Million, other jurisdictions accepting our Canadian labelled products ($10+ Million)
US Market / Fera Partnership	During the second half of FY-23, due to a shortage of Erythromycin ophthalmic ointment in the US market, LSL Pharma entered into an exclusive agreement with Fera, a U.S. specialty pharmaceutical company, to provide Erythromycin for the treatment of newborns in U.S. hospitals. Recognizing the need to ensure continuous supply of the product in the country, the FDA granted Fera temporary discretion to import Erythromycin ophthalmic ointment for the prevention of gonococcal ophthalmia neonatorum. Fera's import permit has since been extended to June 30, 2024. To date, LSL Pharma has supplied in excess of 525,000 1-gram units to the US.

Development pipeline

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

- >60 off-patent ointments/eye drops products currently face NO/limited generic competition in Canada, US and other major markets;
- Innovators enjoy maximum pricing, and lack of competition due to challenges related to the Development / Manufacturing of these products;
- Steri-Med has the expertise and capabilities to develop a pipeline of drugs for these lucrative markets by leveraging its partnership with Fera or other foreign partners.
- Global manufacturing capabilities for sterile eye-care products (ointments / drops) is very limited.
- First-to market ophthalmic generic products enjoy the benefit of
    - relatively low development costs and regulatory risk ($300-600 thousand)
    - relatively short development timelines vs innovative drugs (less than 5 years to peak sales).
    - limited price erosion vs innovator at launch;
    - rapid market share gains at launch due to price advantage and established market;
    - limited commercial/marketing expenses and fast time to peak sales;

For all the above reasons – LSL Pharma has already launched the development of **5** new products in addition to Avaclyr, a product developed for Fera, currently awaiting FDA approval. The Corporation expects Avaclyr to be approved and launch in the US before the end of the current fiscal year, and others will follow.

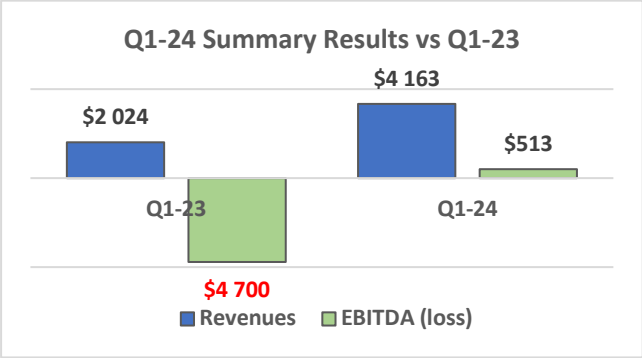
The Corporation`s development pipeline is presented below. Assuming the successful development and regulatory approval of its product pipeline, revenues from the sales of the products under development could exceed $30 million by FY-28. A summary of our product development pipeline is presented below with FY-28 target revenues in $CAD Million:

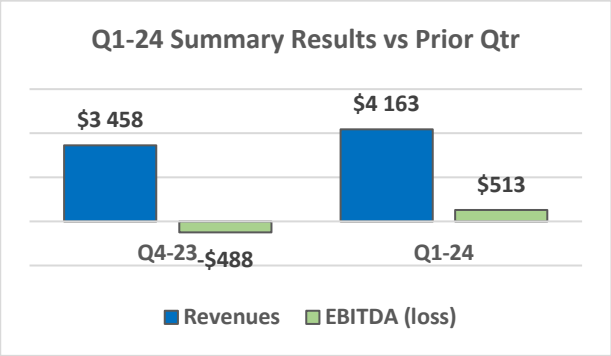
				Target Launch				
Products	**Type**	**Market**	**Status**	**FY-24**	**FY-25**	**FY-26**	**FY-28 target Revenues**	**# Players**
Erythromycin	Rx	Canada	Approved		**Marketed**		**4-6**	LSL + 1 player
Sterisporin	OTC	Canada	Approved		**Marketed**		**3-5**	LSL alone
Avaclyr	RX	USA (Fera)	Filed FDA	☑			**2-4**	no generic
SMO-01	OTC	Canada	Approved		☑		**2-3**	no generic
SMO-02	OTC	USA /Canada	pre-filing		☑		**4-6**	no generic
SMO-03	OTC	Canada	pre-filing		☑		**2-3**	no generic
SMO-04	Rx	USA /Canada	pre-filing			☑	**10-12**	no generic
SMO-05	Rx	USA /Canada	pre-filing			☑	**4-6**	no generic
Others (6)	OTC	Canada	DIN		☑	☑	**5-8**	no generic

Q1-24 Financial highlights

Graphs above show the Corporation`s summary financial performance between Q1-24 and Q1-23.

The Corporation achieved record revenues, margins, and EBITDA for Q1-24.





Q1-24 Corporate Highlights

During Q1-24, the Corporation completed a series of transactions aimed at strengthening its balance sheet and improve its working capital and other financial ratios.

- **On February 2, 2024,** the Corporation borrowed $750 from a Company controlled by a key management personnel at a 12% interest rate, repayable on February 1, 2026. $271 of this amount was converted into the first tranche of the Private Placement described below.
- **On February 29, 2024** - The Corporation signed an amendment with a Secured Debentures holder representing $100 to extend the repayment date from March 9, 2024, to March 9, 2026. As a consideration for the extension, the interest rate for has been increased from 6% to 9.5%.
- **March 19, 2024** – The Corporation announced the closing of a non-brokered private placements for $6.4 million representing the first closing of the $8.0 million combined financings announced on March 7, 2024. The Financing included $2,685 in cash proceeds, and the conversion of $3,749 of the Corporation's debts in Units.

Q1-24 Subsequent Events

- **April 23, 2024** – LSL Pharma Group closed the second tranche of its private placement financing of Units for $3,794. The second tranche follows an initial first closing of $2.7 million announced on March 19, 2024, bringing the total gross cash proceeds from the private placement to $6.5 million. In connection with this Financing, the Corporation paid to a finder dealing at arm's length with the Corporation, finders' fees for a total of $30,000 in cash and issued 75,000 finders' warrants. Each Finder's Warrant entitles the holder to purchase one (1) Common Share at a price of $0.70 for a period of 18 months following the closing of the Financing.
- **On April 29, 2024,** the Corporation granted an aggregate of 1,555,000 stock options ("Options") to certain officers and directors in accordance with the Corporation's long-term incentive compensation plan. The Options will be exercisable at an exercise price of $0.40 per Class A common share of the Corporation until April 29, 2034. All options will vest on grant.
- **On May 6, 2024**, the Corporation announced the signing of a binding agreement ("LOI") to acquire a profitable privately held Quebec-based competing CDMO offering complementary manufacturing capabilities and providing important synergies with its existing operations (the "Target"). The $2.5 million purchase price which will be funded by the proceeds from the recently completed private placements and includes a fully operational manufacturing plant. The transaction is expected to boost LSL Group's revenues by 15-20% on an annual basis. LSL Pharma anticipates closing the transaction by the end of Q2-24. Upon signing of the LOI, LSL Pharma was required to make a non-refundable payment of $100. Target Co is based in the province of Quebec and will be integrated into LSL Laboratory

CDMO activities. Target Co manufactures a range of natural products in liquid, powder, as well as in capsule forms which are sold under its own brands or as under private labels.

- **On May 22, 2024**, The Corporation announce that the Convertible Unsecured Redeemable Debentures issued pursuant to a $3.288 million brokered private placement completed in tranches on November 1, 2023 and December 8, 2023 (the "Debentures") had been approved for listing on the TSXV under the symbol "LSL.DB" and will begin trading on May 24, 2024. The Debentures 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. For additional details regarding the Debentures, please refer to the Debenture Indenture dated November 1, 2023, which is available under LSL Pharma's issuer profile on www.sedarplus.ca.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the March 31, 2024, unaudited consolidated condensed financial statements.

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

Financial statements of net loss			*Change*	
	March 31, 2024	March 31, 2023	*$*	*%*
Revenues	**4 163**	2 024	*2 139*	*106%*
Gross profit	**1 146**	387	*759*	*196%*
Adjusted Gross Profit	**1 613**	669	*944*	*141%*
Adjusted Gross Profit % to revenues	***39%***	*33%*	*6%*	
EBITDA (loss)	**513**	(4 700)	*5 213*	*-111%*
Adjusted EBITDA	**646**	-	*646*	*100%*
Net loss	**(280)**	(5 403)	*5 123*	*-95%*

- The Corporation achieved **Record Revenues** in Q1-24, at $4.2 million, up 106% compared to Q1-23. Same as for Q4-23, revenues were impacted by the sales of Erythromycin ophthalmic ointment in the US market following a product shortage. LSL Pharma successfully secured (via its US partner – Fera) a temporary licence granted by the FDA to sell our Canadian labelled product to US hospitals. The license expires in June 2024. Our CDMO business have started to take advantage of the increased capacity that followed the site expansion/relation last year.
- **Record Gross margins** for Q1-24 at $1.1 million compared to $0.4 million for Q1-23. Similar to our revenues, our gross margins have been positively impacted with sales of our Erythromycin product into the US. Also, the margins have been impacted by the increased of production levels at both plants. During Q1-23 margins had been impacted by a plant shutdown at the Steri-Med plant as well as the plant relocation of LSL labs. (See Statement of Financial Conditions).
- **Adjusted Gross margins %** for Q1-24 after eliminating the impact of depreciation, amortization, costs related to shut-down, plant upgrades and moving costs adjusted gross margins stood at a record level of $1.6 million, a 141% increase over Q1-23. Adjusted gross profit % was also up at 39%, compared to 36% for Q1-23.
- **EBITDA** for Q1-24, after eliminating the impact of financial expenses, depreciation and amortization EBITDA was a $0.5 million profit compared to a loss of $4.7 million for Q1-23. EBITDA for Q1-23 had been imp acted by plant shut-down and the impact of the RTO.
- **Adjusted EBITDA** for Q1-24 was a $0.6 million profit compared to nil for Q1-23. We believe that Adjusted EBITDA is a better indicator of financial performance as it eliminates non-cash and non-recurrent expenses.
- **Net loss** for the Q1-24 was $0.3 million a strong performance compared to the $5.4 million loss in Q1-23.

We present below a reconciliation of the gross margin to adjusted gross margins, and EBITDA to adjusted EBITDA for Q1-24 and Q1-23:

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

ADJUSTED GROSS MARGIN reconciliation			*Change*	
	March 31, 2024	March 31, 2023	*$*	*%*
Revenues	**4 163**	2 024	*2 139*	*106%*
Gross profit	**1 146**	387	*759*	*196%*
Gross profit % to revenues	***27,5%***	*19,1%*	*8%*	
Adjustments				
Depreciation and amortization	**334**	249	*85*	*34%*
Costs related to shut-down, plant upgrades and moving costs	**133**	33	*100*	*303%*
Adjusted Gross Profit	**1 613**	669	*944*	*141%*
Adjusted Gross Profit % to revenues	***38,7%***	*33,1%*	*6%*	

EBITDA(Loss) Reconciliation			*Change*	
	March 31, 2024	March 31, 2023	*$*	*%*
Net loss	**(280)**	(5 403)	*5 123*	*-95%*
Finance expense, net	**459**	454	*5*	*1%*
Depreciation and amortization	**334**	249	*85*	*34%*
EBITDA (loss)	**513**	(4 700)	*5 213*	*-111%*
% of sales	***12,3%***	*-232,2%*	*245%*	
Costs related to the reverse takeover	**-**	2 550	*(2 550)*	*-100%*
Costs related to shut-down, plant upgrades and moving costs	**133**	33	*100*	*303%*
Stock-based compensation	**-**	2 117	*(2 117)*	*100%*
Adjusted EBITDA	**646**	-	*646*	*100%*
% of sales	***15,5%***	*0,0%*	*16%*	

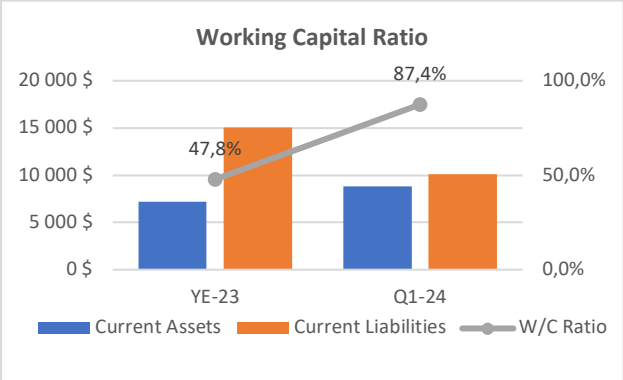
SELECTED BALANCE SHEET HIGHLIGHTS

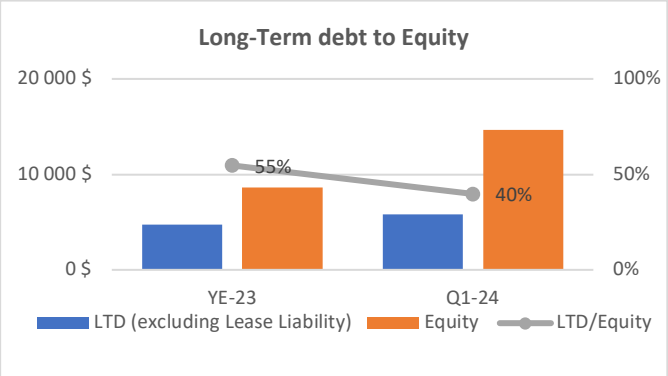
As at,			*Change*	
	March 31, 2024	December 31, 2023	*$*	*%*
Current assets	**8 811**	7 204	*1 607*	*22%*
Total assets	**32 970**	30 900	*2 070*	*7%*
Current liabilities	**10 077**	15 074	*(4 997)*	*-33%*
Notes payable long-term	**1 658**	531	*1 127*	*212%*
Long-term debt excluding lease liabilities	**4 171**	4 202	*(31)*	*-1%*
Shareholders' equity	**14 665**	8 655	*6 010*	*69%*

Our Statement of financial position as at the end of Q1-24 shows continued progress made during quarter to improve our financial situation.

- **Current assets** have increased by 22% at the end of Q1-24 compared to the YE-23. The $1.6 million increase comes from respective increase in accounts receivable, inventory and prepaids. All increases reflect the increase in operating and commercial activity in Q1-24 compared to last portion of FY-23.
- **Total Assets** have increased by 7% at Q1-24 compared to YE-23, a $2.0 million increase. Th increase reflect the working capital investment to support our growth, as well as the addition of production equipment.

- **Current liability** has decreased significantly during Q1-24. The 33% decrease follows the successful private placement financing closed in March 2024, which led to $4.1 million of debts and liabilities being converted into equity or repaid. We were also successful in extending the maturities of $0.9 million worth of notes payable.
- **Notes Payable and Long-term debt** increased between YE-23 and Q1-24 due to the extension of $0.9 million of short term notes into long-term, as well as a few debentures previously maturing in June 2024 now extended to Q1-26.
- **Shareholders Equity** increased by $6.0 million, as a result of $6.4 million worth of units being issued during Q1-24 less the nominal $0.3 million net loss.



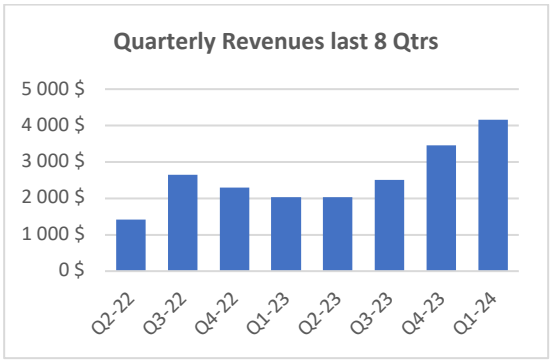


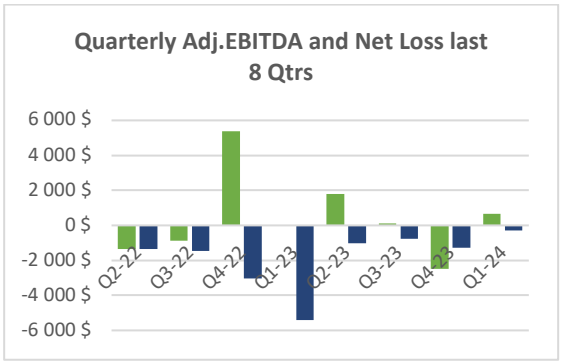
In Q1-24, the Corporation has been successful in completing a series of financings and transactions aimed at improving further its working capital and debt leverage.

SELECTED QUARTERLY PERFORMANCE

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

	Q1-24	Q4-23	Q3-23	Q2-23	**Q1-23**	Q4-22	Q3-22	Q2-22
Revenues	**4 163**	3 458	2 512	2 034	**2 024**	2 290	2 642	1 418
Gross margin (loss)	**1 146**	99	467	692	**387**	(1 237)	(13)	(332)
Adjusted gross margin (loss)	**1 613**	477	814	947	**669**	3 591	236	(48)
Adjusted gross margin %	*39%*	*14%*	*32%*	*47%*	*33%*	*157%*	*9%*	*-3%*
EBITDA (loss)	**513**	(488)	11	(360)	**(4 700)**	(2 246)	(877)	(1 364)
Adjusted EBITDA (loss)	**646**	(2 474)	96	1 803	**-**	5 393	(865)	(1 364)
Net loss	**(280)**	(1 269)	(762)	(1 038)	**(5 403)**	(3 016)	(1 467)	(1 339)





- **Revenues**. The Corporation's revenues have increased steadily over the last 4 quarters as LSL laboratory completed its relocation. Revenues in Q1-24 increased 20% over Q4-23. The 38% increase in revenues between Q3-23 and Q4-

23 is mainly due to the sale of our Erythromycin product into the US which is expected to impact our revenues in the first half of FY-24. Revenues in the first part of FY-23 were impacted by plant shut down.

- **Gross margins** and **Adjusted gross margins** have fluctuated significantly over the last 8 quarters as the operating costs and products margins were influence by product mix, and a series of non-recurrent charges as both plants faced operational challenges due to plant relocation for LSL Labs, recertification of Steri-Med and supply challenges. Our gross margins in Q1-24 was 1058% greater than Q4-23 as we take full advantage of our added capacity at LSL Laboratory and increased production levels at the Steri-Med plant.
- **Adjusted EBITDA** over the last 8 quarters has been impacted by several non-recurrent events including the recast of RTO/SBC expenses that impacted Q1-23, Q2-23, and Q4-23. Q1-24 Adjusted EBITDA was not impacted by any reclass and showed a strong performance of Q4-23. Our Adjusted EBITDA performance going forward is expected to show a steady progress as we take advantage of all corporate initiatives and investments made during the past year.
- **Net loss** after taking into account the series of non-recurrent charges described above, has shown a progression over the last quarters, since the RTO. Net loss for Q1-24 has improved by 78% over the prior quarter loss in Q4-23.

LIQUIDITIES AND CAPITAL RESOURCES

			Change	
	Q1-24	**Q1-23**	*$*	*%*
Operating Activities				
Net loss from operations	**(280)**	(5 403)	*5 123*	*-95%*
Impact of RTO	**-**	1 090	*(1 090)*	*-100%*
Other Items not affecting cash	**793**	2 819	*(2 026)*	*-72%*
Changes in non-cash working capital	**(2 423)**	(3 171)	*748*	*-24%*
Cash used in operations	**(1 910)**	(4 665)	*2 754*	*-59%*
Investing activities				
Cash used by investing activities	**(689)**	(143)	*(546)*	*382%*
Financing Activities				
Cash provided by financing activities	**2 558**	5 554	*(2 996)*	*-54%*
Increase (decrease) in cash	**(41)**	746	*(787)*	*-105%*
Cash, beginning of the period	**8**	-	*8*	*100%*
Cash, end of the period	**(33)**	746	*(779)*	*-104%*

- **Cash Used in operations** in Q1-24 period was $1.9 million compared to $4.7 million for Q1-23, representing a $2.8 million decrease. The increase is due to a $5.1 million reduction of our net loss, and $0.7 million reduction in non-cash working capital, offset by the $1.1 million consideration for acquiring Iledor as part of the RTO in Q1-23, and $2.0 million of items not affecting cash. Items not affecting cash included $2.1 million of share-based compensation charges in Q1-23 compared to nil in Q1-24.
- **Investing activities** have used $0.7 million of cash during the quarter for new production equipment and investments in intangible assets compared to $0.1 million in Q1-23.
- **Financing activities** in Q1-24 contributed net proceeds of $2.6 million compared to $5.6 million in Q1-23. Both quarters were impacted by the proceeds of private placements, less repayment of long-term debts.
- **Net cash increase** for Q1-24 was negative $41 after netting the impact of operating, financing and investing activities, compared to $0.7 million net increase in Q1-23.

Transaction with related parties and shareholders:

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

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

	Three months ended	
	March 31, 2024	March 31, 2023
Key management salaries and benefits	**391**	296

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

	March 31, 2024	December 31, 2023
Assets:		
Receivable from a company controlled by a director of the Corporation included in accounts receivable and related to the sale of Steri-Med products	**1,635**	964
Liabilities:		
Notes payable to key management personnel	**279**	302
Notes payable to a company controlled by a key management personnel	**479**	229
Convertible Debentures held by a key management personnel and recorded in Long-term debt ("LTD")	**125**	125
Secured Debentures held by a company controlled by a director and recorded in LTD	**1,000**	1,000
Secured Debentures held by a key management personnel and recorded in LTD	**150**	150

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.

During the year ended December 31, 2023, 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 6 (c))

The following table presents the related party transactions presented in the consolidated statement of loss for the respective periods:

	Three months ended	
	March 31, 2024	March 31, 2023
Revenues from a company controlled by a Director of the Corporation	**2,035**	59
Expenses paid to a company controlled by a Director of the Corporation	**49**	-

Going concern:

This MD&A 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 quarters ended March 31, 2024 and 2023, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at March 31, 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 a number of 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 (refer to "Subsequent events" of our FY-24 Unaudited consolidated condensed financial statements, for information in relation to the recent private placement).

Our Q1-24 unaudited consolidated condensed 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 consolidated condensed 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 condensed statements of financial position classifications used. Such adjustments could be material.

Liquidities

			Change	
As at,	**March 31, 2024**	December 31, 2023	*$*	*%*
Cash	**-**	8	*(8)*	*-100%*
Accounts receivables	**3 410**	2 682	*728*	*27%*
Inventories	**4 271**	4 109	*162*	*4%*
Prepaid expenses and deposits	**1 130**	405	*725*	*179%*
Accounts payable and accrued liabilities	**3 999**	5 976	*(1 977)*	*-33%*
Short term financing and current portion of long-term debt	**6 078**	9 098	*(3 020)*	*-33%*
Working capital	**(1 266)**	(7 870)	*6 604*	*-84%*

During Q1-24, the Corporation completed a series of successful financing to significantly strengthen its balance sheet and cash position.

LSL Pharma completed a private placement in two tranches for net proceeds of $6.45 million, as well as converted debts as part of a debt for unit financing, for a total of $3.75 million. These transactions not only provided liquidities to fund additional production equipment for each production sites, but also helped settle short term liabilities/debts.

The combination of debt repayments, loans/debt conversion and extensions and the Corporation improved results has helped transform the Corporation's balance sheet.

Before the end of the second quarter of FY-24, the Corporation will need to address the maturities of debentures totaling $4.5 million. Discussions have commenced for the extension of the term of the debentures. Management is currently in discussion with each debenture holder for the planned reimbursement/conversion/extension of their debt.

LSL has generated operating profits and strong EBITDA profits in Q1-24, LSL Pharma believes that improved operating cash flows, the financings completed to date in FY-24 and the operating line of credit will provide adequate financial flexibility for LSL Pharma to meet its operating and financial obligations, including the short-term maturity of debentures mentioned above.

Financial risks and fair value measurement – *refer to our Annual Audited Financial Statements – Note 19.*

Risk Factors

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