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- and six-month periods ended June 30, 2024 and 2023. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the fiscal quarter ended on June 30, 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 August 23, 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 Profit, EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the valuation of issuers. We also use non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

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

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

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

Corporate & Operations

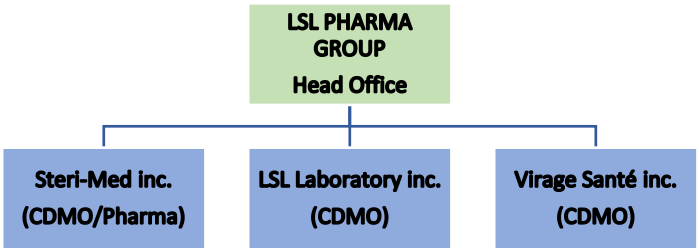
CDMO	Contract Drug Manufacturing Organization	LSL Labs	LSL Laboratory Inc.
FDA	United States Food and Drug Administration	RTO	Reverse takeover
Fera	Fera Pharmaceuticals, LLC	Steri-Med	Steri-Med Pharma
HC	Health Canada	TSXV	Toronto Stock Venture Exchange
HO	Head Office	VSI	Virage Santé Inc.
Îledor	Corporation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

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 three wholly owned subsidiaries:

1) Steri-Med specializing in the development, manufacturing and commercialization of high-quality sterile ophthalmic pharmaceuticals for the Canadian, US and foreign markets,
2) LSL Laboratory, a CDMO, which manufactures natural health products in solid dosage forms, mainly for third-party pharmaceutical clients, and
3) Virage Santé Inc., a CDMO, which manufactures a range of natural products in liquid, powder, as well as in capsule forms which are sold under its own brands or under private labels.

The Corporation's corporate structure is presented below:



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. HO also handles other corporate activities such as investors relation, communication, marketing, banner and wholesaler relationship management. Going forward, the Corporation intends to scale up its CDMO activities and generate economies of scale by leveraging its HO services by incorporating other operating/manufacturing sites. As of the date of this document, the Corporation has 102 full time employees, including 15 occupying head office functions.

RTO of Iledor, - February 22, 2023

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").

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.

Listing of LSL Pharma Group on the TSX Venture Exchange. – March 1, 2023

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 June 30, 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 – May 24, 2024

In Q4-23, 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".

Acquisition of Virage Santé – June 18, 2024

On May 6, 2024, the Corporation announced the signing of a binding agreement ("LOI") to acquire 100% of the controlling interest of Virage Santé Inc. ("VSI"), a privately held Quebec-based CDMO offering complementary manufacturing capabilities and providing synergies with its existing operations. The transaction was completed on June 18, 2024, with an effective date of June 1, 2024. LSL Pharma acquired 100% of the shares of the Virage Santé Group for $2.5 million subject to post-closing adjustments. Such adjustments have been estimated at $154, bringing down the net purchase price to $2,346. The purchase price was funded by the proceeds of the private placements completed during the first six months of the year. VSI operates a fully operational 8 250 sq.ft. manufacturing plant. Revenues from VSI have been consolidated into our results starting June 1, 2024 and are expected to boost LSL Pharma's revenues by 15-20% on an annual basis. VSI is based in Levis, Quebec and manufactures a range of natural products in liquid, powder, sachets, as well as in capsule forms for its CDMO clients or sold under its own brands or private labels.

Corporate strategy and future development

LSL Pharma's management intends to pursue a two-pronged growth strategy, **FIRST** by expanding its CDMO activities by adding products and complementary services to better support its expanding customer base, either organically or through

acquisitions, and **SECOND** by investing in its Steri-Med operations to take full advantage of its unique manufacturing capacity of sterile ophthalmic products to meet increasing demand for its existing products and by developing first to market ophthalmic generic products for Canada, US and abroad.

CDMO operations

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 Virage Santé:

- VSI operates a smaller but highly flexible manufacturing plant. VSI can manufacture a broad range of solid dose and liquid products in various batch size. LSL Pharma intends to leverage its customer base to take full advantage of VSI manufacturing capabilities. We expect to generate material synergies by transferring all SG&A into LSL HO 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.

The VSI acquisition fits that description. VSI is a CDMO offering complementary capabilities and offering synergies with LSL Group`s existing operations.

Sterile Manufacturing Operations - Steri-Med Pharma

- 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.

Existing Product Pipeline and New Products under Development

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 expired 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:

				Target Launch			
Products	**Type**	**Market**	**Status**	**FY-24**	**FY-25**	**FY-26/27**	**# Players**
Erythromycin	Rx	Canada	Approved		**Marketed**		LSL + 1 player
Sterisporin	OTC	Canada	Approved		**Marketed**		LSL alone
Avaclyr	RX	USA (Fera)	Filed FDA	☑			no generic
SMO-01	OTC	Canada	Approved		☑		no generic
SMO-02	OTC	USA /Canada	pre-filing		☑		no generic
SMO-03	OTC	Canada	pre-filing		☑		no generic
SMO-04	Rx	USA /Canada	pre-filing			☑	no generic
SMO-05	Rx	USA /Canada	pre-filing			☑	no generic
Others (6)	OTC	Canada	DIN		☑		no generic

Current market size for the products under development are estimated at above $200 Million (IQVIA Data). Assuming the successful development and regulatory approval of its product pipeline, revenues from the sales of the products under development will have a material impact on the Corporation's revenues.

Q2-24 Corporate Highlights

- **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 announced 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.
- **On June 11, 2024**, the Corporation announced the hiring of Red Cloud Securities ("Red Cloud") to provide market stability and liquidity services to the Corporation in compliance with the policies and guidelines of the TSX Venture

Exchange ("TSX-V") and other applicable legislation. Red Cloud is a 100%, principal-owned Canadian Toronto-based financial services company that helps life science, biotech, as well as mining companies with accessing capital markets and enhancing their corporate profile.

- **On June 18 2024**, The Corporation announced the acquisition of Virage Santé ("VSI"), a company specializing in the manufacturing and marketing of natural health products, based in Lévis, Quebec. This acquisition increases LSL Pharma's contract development and manufacturing activities, while creating synergies with its subsidiary LSL Laboratory Inc. ("LSL"). The purchase price for the acquisition of VSI was $2.5 million, was paid in cash, and will be subject to post-closing adjustments. (See "Overview of the Business" for more information on VSI).

- **On June 27, 2024** - The Corporation announced the first closing of a new private placement financing. Pursuant to the financing, the Corporation raised $1.5 million and issued 3,727,000 units (the "Units") at a price of $0.40 per unit for aggregate gross cash proceeds of $1,490,800. Each Unit consists of one class A share of the Corporation (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder, subject to adjustments in certain cases, to purchase one (1) Common Share (a "Warrant Share") at a price of $0.70 for a period of 24 months following the closing of the Financing.

- **On June 28, 2024 -** LSL Pharma Group announced changes to its Board of Directors with Stuart W. Fowler and Joseph Soccodato joining as new members.

  - Mr. Fowler has over 25 years of experience in the Health Sciences space in North America. Mr. Fowler led two of Canada's largest ophthalmic pharmaceutical and medical device organizations. He was President and General Manager of Allergan Canada (AbbVie) from 2010 to 2015, as well as President and General Manager for Alcon Canada from 2016 to 2020. Mr. Fowler is the Co-Founder and President of the Aesthetic Medicine Network Inc. AMNI is Canada's largest group of independently owned and operated aesthetically oriented physicians. Mr. Fowler has also served as director of Aequus Pharmaceuticals (AQS-TSXV) from February 2020 to March 2023 and Valeo Pharma (VPH-TSX) from April 2023 to February 2024.

  - Mr. Soccodato is a Certified Public Accountant and brings 30 years of experience with public, privately held, and private equity backed enterprises in areas such as accounting, treasury, budgeting, M&A, operations, and risk management. Mr. Soccodato also worked for some of the world's largest accounting firms. He is currently the Chief Financial Officer of Jacent, the industry leader in strategic impulse merchandising solutions and premier clip strip partner to some of the largest retailers in the United States and Canada.

Q2-24 Subsequent Events

- **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 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, the Corporation also converted certain debts outstanding representing $560 by issuing 1,400,206 2024 Units at a price of $0.40 per unit. The debt conversion included long-term notes payable for $400 plus $10 of accrued interest; and secured debenture for $150. The Corporation used part of the proceeds of the financing to repay secured debentures totalling $500.

SELECTED FINANCIAL DATA

The following table and graphs present the financial information relating to the periods indicated and should be read in conjunction with our June 30, 2024, unaudited condensed interim consolidated financial statements. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

Financial Statements of net loss

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Revenues	**4 194**	2 034	*2 160*	*106%*	**8 354**	4 058	*4 296*	*106%*
Gross Profit	**1 535**	692	*843*	*122%*	**2 682**	1 079	*1 603*	*149%*
Adjusted GP	**1 881**	947	*934*	*99%*	**3 362**	1 750	*1 612*	*92%*
Adjusted GP %	***45%***	*47%*	*2%*		***40%***	*43%*	*-3%*	
SG&A	(1 276)	(1 341)	*65*	*-5%*	(2 243)	(2 010)	*(233)*	*12%*
Operating Profit	**260**	**(649)**	***909***	*-140%*	**439**	**(931)**	***1 370***	***-147%***
Financial Expenses	(414)	(388)	*(26)*	*7%*	(873)	(842)	*(31)*	*4%*
Net loss	**(515)**	(1 038)	*523*	*-50%*	**(797)**	(6 441)	*5 644*	*-88%*
EBITDA (loss)	**243**	(360)	*603*	*-168%*	**756**	(5 059)	*5 815*	*-115%*
Adjusted EBITDA (loss)	**672**	(260)	*932*	*-358%*	**1 185**	(260)	*1 445*	*-556%*

- The Corporation achieved **Record Revenues** in Q2-24, at $4.2 million, up 106% compared to Q2-23 and 1% above the prior quarter Q1-24. During Q2-24 our Steri-Med operations experienced strong domestic demand for its products while our CDMO business continued to take advantage of the increased capacity that followed the site expansion/relocation last year. Revenues also benefited from the revenues from Virage Santé acquired in June. For the YTD periods, revenues were $8.4 million, up $4.3 million or 106% over YTD-23.

- **Record GP** for Q2-24 at $1.5 million compared to $0.7 million for Q2-23. Our GP have been positively impacted by the revenue mix, as well as the growth in revenues since a large portion of our manufacturing costs are fixed. For the YTD-24 period, our GP was up 149% at $2.7 million compared to $1.1 million.

- **Adjusted GP** for Q2-24 after eliminating the impact of depreciation, amortization, costs related to shut-down, plant upgrades and moving costs Adjusted GP stood at a record level of $1.9 million, a 99% increase over Q2-23 and 27% over the prior quarter. Adjusted GP % was also strong at 45% compared to 47% for Q2-23. Adjusted GP was $3.4 million for the YTD-24 period compared to $1.75 million for YTD-23, a 92% increase.

- **SG&A** expenses for Q2-24 were down slightly compared to Q2-23 with a 5% decrease. SG&A was impacted by the year-end audit fees that were greater than expected due to the RTO review. For the YTD periods, SG&A expenses were flat compared to last year with a nominal 4% increase.

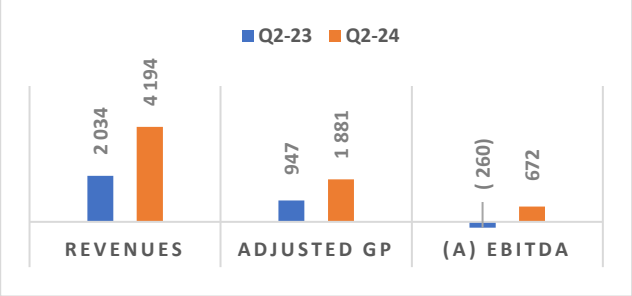
- **Operating Profit.** LSL Pharma generated $0.3 million operating profits for the second quarter, a significant improvement compared to the $0.65 million operating loss in Q2-23. The $0.9 million improvement was due to the 122% increase in gross profit, and almost flat SG&A. We delivered $0.4 million operating profit for the YTD-24 period compared to a $0.9 million loss, a $1.4 million improvement. Same for the QoQ performance, the increase in revenues and margins between the periods resulted in stronger operating results.

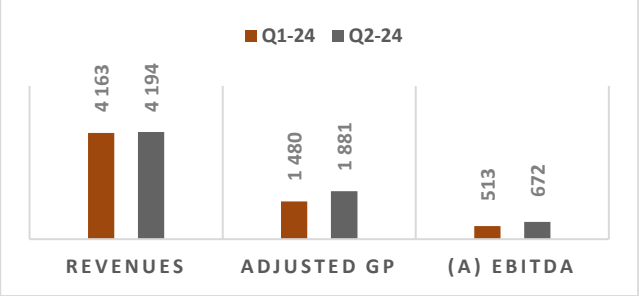
- **Financial Expenses** for Q2-24 were up slightly compared to Q2-23 with a 7% decrease. For the YTD periods, financial expenses were flat compared to last year with a nominal 4% increase. Despite the conversions and repayment of several debt and loans during the period, financial expenses were impacted by the increase in interest expenses related to issuance of $3.3 million of debentures in Q4-23 and increased expenses on lease facilities as the LSL laboratories in now fully operational following its relocation completed in the first half of FY-23.

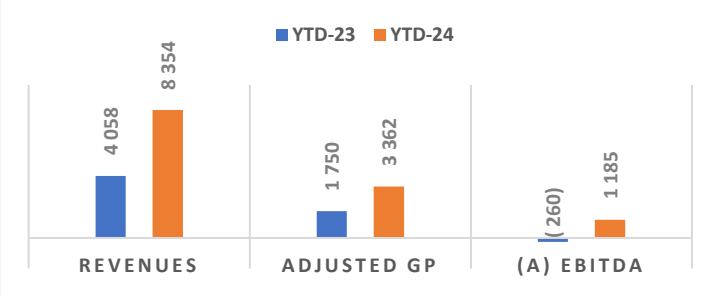
- **Net loss** for the Q2-24 was $0.5 million compared to the $1.0 million in Q2-23. Net loss in Q2-24 was negatively impacted by the non-recurrent impact of $0.4 million of share-based compensation, partly offset by a small $40 gain recorded on the acquisition of Virage Santé. For the YTD-24 period, net loss was $0.8 million down $5.6 million compared to the $6.4 million loss for YTD-23.

- **EBITDA** for Q2-24, after eliminating the impact of financial expenses, depreciation and amortization EBITDA was a $0.2 million profit compared to a loss of $0.4 million for Q2-23. EBITDA for Q2-23 had been impacted by plant shut-down and the impact of the RTO. For the YTD-24 period, EBITDA was a profit of $0.8 million, up $5.8 million compared to the prior year EBITDA loss of $5.1 million. Same as for the Q2-23 period, the EBITDA for YTD-23 had been impacted by the LSL plant shut-down and the impact of the RTO.
- **(A) EBITDA** for Q2-24 was a $0.7 million profit compared to a $0.3 million loss for Q2-23 and $0.2 million or 31% over the prior quarter. For YTD-24, the (A) EBITDA was a $1.2 million profit compared to a $0.3 million loss, a $1.4 million improvement. We believe that (A) EBITDA is a better indicator of financial performance as it eliminates non-cash and non-recurrent expenses.

Graphs below illustrates the Corporation's comparative performance between the respective periods:







We present below a reconciliation of the GP to Adjusted GP, and EBITDA to Adjusted EBITDA for Q2-24 and Q2-23, as well as for the YTD periods:

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

ADJUSTED GROSS PROFIT Reconciliation

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Revenues	**4 194**	2 034	*2 160*	*106%*	**8 354**	4 058	*4 296*	*106%*
GP	**1 535**	692	*843*	*122%*	**2 682**	1 079	*1 603*	*149%*
GP % to revenues	***36,6%***	*34,0%*	*3%*		***32,1%***	*26,6%*	*6%*	
(+) Adjustments								
Depreciation & Amort.	**346**	255	*91*	*36%*	**680**	538	*142*	*26%*
moving costs	**-**	-	*-*	*0%*	**-**	133	*(133)*	*-100%*
Adjusted GP	**1 881**	947	*934*	*99%*	**3 362**	1 750	*1 612*	*92%*
Adjusted GP %	***44,8%***	*46,6%*	*-2%*		***40,2%***	*43,1%*	*-3%*	

ADJUSTED EBITDA (Loss) Reconciliation

			Change				*Change*	
	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Net loss	**(515)**	(1 038)	*523*	*-50%*	**(797)**	(6 441)	*5 644*	*-88%*
Income tax expense	**-**	-	*-*	*0%*	**-**	-	*-*	*0%*
Finance expense, net	**412**	389	*23*	*6%*	**873**	843	*30*	*4%*
Depreciation & Amort.	**346**	289	*57*	*20%*	**680**	538	*142*	*26%*
EBITDA (loss)	**243**	(360)	*603*	*-168%*	**756**	(5 060)	*5 816*	*-115%*
% of sales	***5,8%***	*-17,7%*	*23%*		***9,0%***	*-124,7%*	*134%*	
(+) Adjustments								
Costs related to the RTO	**-**	-			**-**	2 550	*(2 550)*	*-100%*
Gain on acquisition	**(40)**	-	*(40)*	*-100%*	**(40)**	-	*(40)*	*-100%*
Plant moving costs	**-**	100	*(100)*	*-100%*	**-**	133	*(133)*	*-100%*
Transaction costs	**17**	-	*17*	*100%*	**17**	-	*17*	*100%*
Recruitment fees	**50**	-	*50*	*100%*	**50**	-	*50*	*100%*
SBC	**402**	-	*402*	*100%*	**402**	2 117	*(1 715)*	*-81%*
Adjusted EBITDA (loss)	**672**	(260)	*932*	*-358%*	**1 185**	(260)	*1 445*	*-556%*
% of sales	***16,0%***	*-12,8%*	*29%*		***14,2%***	*-6,4%*	*21%*	

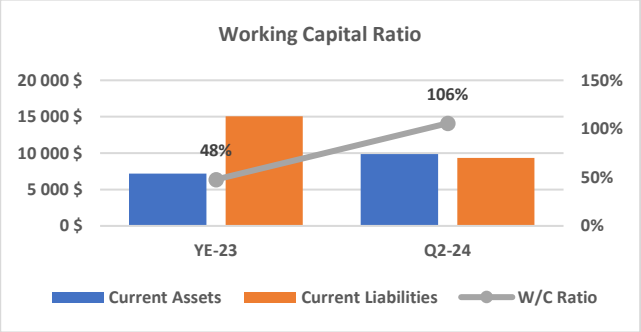
SELECTED BALANCE SHEET HIGHLIGHTS

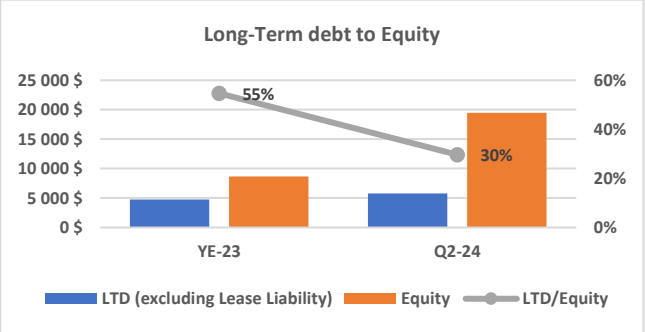
			Change	
As at,	**Q2-24**	YE-23	*$*	*%*
Current assets	**9 881**	7 204	*2 677*	*37%*
Total assets	**36 952**	30 900	*6 052*	*20%*
Current liabilities	**9 347**	15 074	*(5 727)*	*-38%*
Notes & Advances payable long-term	**2 097**	531	*1 566*	*100%*
LTD excluding lease liabilities	**3 678**	4 202	*(524)*	*-12%*
Shareholders' equity	**19 470**	8 655	*10 815*	*125%*

Our Statement of financial position as at the end of Q2-24 shows the significant progress since the prior year-end.

- **Current assets** have increased by 37% at the end of Q2-24 compared to the YE-23. The $2.7 million increase comes from respective increase in accounts receivable, inventory and prepaids. All increases reflect the increase in operating and commercial activity in Q2-24 compared to last portion of FY-23. The increase also reflects the addition of Virage Santé acquired in June, which contributed $0.4 million in short-term assets.
- **Total Assets** have increased by 20% at Q2-24 compared to YE-23, a $6.1 million increase. The increase reflects the working capital investment to support our growth, as well as the addition of production equipment. The increase also reflects the addition of Virage Santé acquired in June, which added $2.1 million in long-term assets.
- **Current liabilities** have decreased significantly during the first 6 months of the year. The $5.7 million decrease follows the successful private placements financing closed in March 2024, which led to $4.1 million of debts and liabilities being converted into equity or repaid, as well as the June private placement which contributed $1.5 million in net proceeds. We were also successful in extending the maturities of $0.9 million worth of notes payable.
- **Notes Payable and LTD** increased between YE-23 and Q2-24 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 $10.8 million, as a result of $11.6 million worth of units being issued to date in FY-24 less the $0.8 million net loss for the YTD-24 period.

Since the start of FY-24, the Corporation has been successful in completing a series of financings and transactions aimed at improving further its working capital and debt leverage. The graphs below present the significant progress achieved.





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

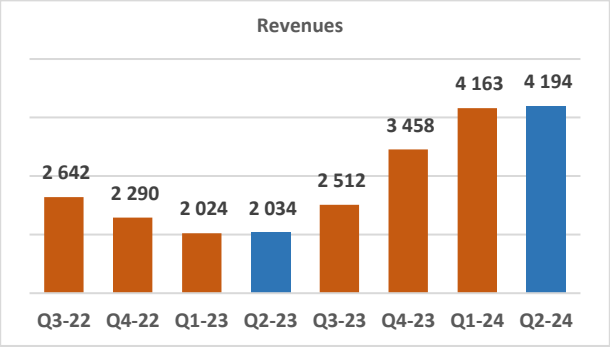
	Q2-24	Q1-24	Q4-23	Q3-23	**Q2-23**	Q1-23	Q4-22	Q3-22
Revenues	**4 194**	4 163	3 458	2 512	**2 034**	2 024	2 290	2 642
GP (loss)	**1 535**	1 146	99	467	**692**	387	(1 237)	(13)
Adjusted GP	**1 881**	1 480	477	814	**947**	669	3 591	236
Adjusted GP %	*45%*	*36%*	*14%*	*32%*	*47%*	*33%*	*157%*	*9%*
SG&A	**(1 276)**	(967)	(832)	(802)	**(1 341)**	(669)	(883)	(1 113)
Operating Profit	**260**	179	(732)	(336)	**(649)**	(282)	(2 120)	(1 126)
Financial Expenses	**(414)**	(459)	(538)	(426)	**(388)**	(454)	(472)	(341)
Net loss	**(515)**	(280)	(1 269)	(762)	**(1 038)**	(5 403)	(3 016)	(1 467)
EBITDA (loss)	**243**	513	(488)	11	**(360)**	(4 700)	(2 246)	(877)
(A) EBITDA (loss)	**672**	513	(411)	96	**(260)**	-	5 393	(865)

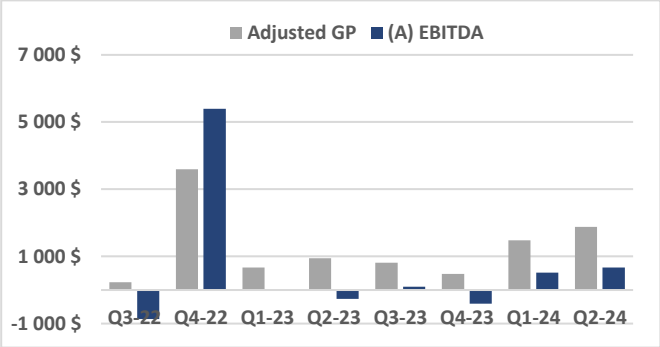
- **Revenues.** The Corporation's revenues have increased steadily over the last 4 quarters since LSL laboratory completed its relocation. Q2-24 revenues included revenues from Virage Santé for the month of June only. The strong increase in revenues between Q3-23 and Q4-23 was mainly due to the sale of our Erythromycin products into the US which also impacted Q1-24 revenues. Revenues in the first part of FY-23 were impacted by plant shut down.
- **GP** and **Adjusted GP** have fluctuated significantly over the last 8 quarters as the operating costs and products margins were influenced by the level of revenues, 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 GP in Q1-24 was 1058% greater than Q4-23 as we took full advantage of our added capacity at LSL Laboratory and increased production levels at the Steri-Med plant.
- **SG&A** expenses for the last 8 quarters have been relatively flat except for external audit fees in relations to the respective year-end (Q2-23 and Q2-24) as well as preparation for the RTO initially planned for mid-2022.
- **Operating Profit.** LSL Pharma has generated operating profits for the second quarter in a row in Q2-24. The increase in revenues and margins have helped generate positive results after several years of restructuring and plant relocation. The operating results for Q3-22 and Q4-22 were impacted by the plant shut-down at LSL Laboratories prior to its relocation to an expanded facility late-2022.
- **Financial Expenses.** The decrease in financial expenses in Q2-23 compared to Q1-23 came after the RTO Financing which helped reduce overall borrowings. The financial expenses have gone down since Q4-23 as the Corporation implemented a series of financial transactions aimed at reducing its debt leverage and financial expenses. YTD-24, including the financing closed after the end of Q2-24, LSL Pharma raised $8.4 million net cash proceeds from various private placements, as well as converted $4.3 million in debts instruments. The cash proceeds also helped reduced its borrowings by a total of $0.7 million. All these transactions will lead to lower borrowing/debt costs going forward. **Net loss** after taking into account the series of non-recurrent charges described above, has shown progression over

the last quarters, since the RTO. Despite the increase in GP, net loss increased compared to Q1-24 due to a non-recurrent increased in SG&A, and $0.4 million non-recurrent share-based compensation charges. Net loss for Q1-24 has improved by 78% over the prior quarter loss in Q4-23 due to the strong increase in GP.

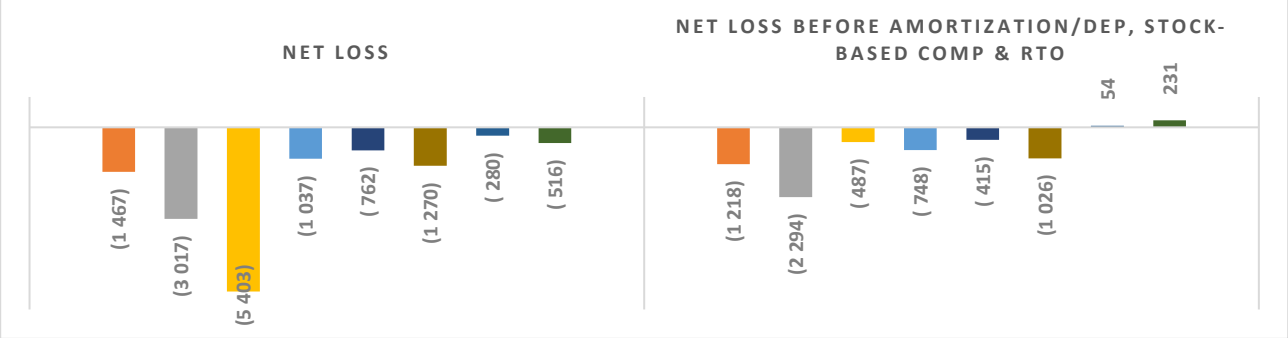
- **(A) EBITDA** over the last 8 quarters has been impacted by several non-recurring events including the recast of RTO/SBC expenses that impacted Q2-23, Q2-23, and Q4-23. Q1-24 Adjusted EBITDA was not impacted by any reclassification of expenses and showed a strong performance over Q4-23. Our Adjusted EBITDA performance is now reflective of our progress, increased plant capacity and production levels.

Graphs below illustrates the Corporation's comparative performance over the last 8 quarters:





Net loss is an accepted standard for assessing financial performance. Eliminating non-cash/non-recurrent items such as the Iledor RTO costs, share-based compensation, depreciation and amortization from net loss provides a better indication of the strong improvement of LSL Pharma's financial performance over the last 8 quarters. See graph below:



LIQUIDITIES AND CAPITAL RESOURCES

	Q2-24	Q2-23	*$*	*%*	**YTD-24**	YTD-23	*$*	*%*
Operating Activities								
Net loss from operations	**(515)**	(1 038)	*523*	*-50%*	**(797)**	(6 441)	*5 644*	*-88%*
Impact of RTO	**-**	-	*-*	*-100%*	**-**	1 090	*(1 090)*	*-100%*
Gain on acquisition	**(40)**	-	*(40)*	*-100%*	**(40)**	-	*40)*	*-100%*
Other non-cash items	**1 160**	678	*482*	*71%*	**1 955**	3 497	*(1 542)*	*-44%*
Changes in non-cash W/C	**(712)**	368	*(1 080)*	*-293%*	**(3 135)**	(2 803)	*(332)*	*12%*
Cash used in operations	**(107)**	8	*(115)*	*-1438%*	**(2 017)**	(4 657)	*2 640*	*-57%*
Investing Activities								
Cash used by investing activities	**(3 237)**	(240)	*(2 997)*	*1249%*	**(3 926)**	(383)	*(3 543)*	*925%*
Financing Activities								
Cash from financing activities	**3 666**	-	*3 666*	*100%*	**6 224**	5 554	*670*	*12%*
Cash, beginning of period	**(33)**	746	*(779)*	*-104%*	**8**	-	*8*	*100%*
Increase (decrease) in cash	**322**	(232)	*554*	*-239%*	**281**	514	*(233)*	*-45%*
Cash, end of period	**289**	514	*(225)*	*-44%*	**289**	514	*(225)*	*-44%*

- **Cash Used in operations** in Q2-24 period was $0.1 million compared to nil for Q2-23. While the net loss improved between the 2 quarters, cash used in operations for Q2-24 was impacted by a negative $1.1 million variance in changes in non-cash W/C, only partly offset by the increase in non-cash items. For the YTD periods, operations used $2.0 million for YTD-24 compared to $4.7 million last year. The $2.6 million improvement came from a $5.6 million reduction in net loss, partly offset by the $1.1 million improvement due to the impact of the RTO last year, and $1.5 million reduction in items not affecting cash. Items not affecting cash included $2.1 million of share-based compensation charges in YTD-23 compared to $0.4 million in YTD-24.
- **Investing activities** used $3.3 million of cash during the quarter due to the $2.1 million net impact of the Virage Santé acquisition, $0.9 million for new production equipment and $0.2 million investments in intangible assets compared to $0.2 million investment in production assets in Q2-23. The Corporation used $3.9 million since the start of FY-24 compared to $0.4 million in FY-23.
- **Financing activities** for Q2-24 and the YTD-24 periods, contributed net proceeds of $3.7 million and $6.2 million respectively, compared to $ nil and $5.6 million for the Q2-23 and YTD-23 periods. Proceeds from the issuance of Units contributed most of the cash for the YTD-24, and YTD-23 periods, before the net impact of debt issuance and repayments. The YTD-23 period, including $3 million of LTD repayments from the proceeds of the RTO.
- **Net cash** increased in Q2-24 by $0.3 million, same as for the YTD-24 period after netting the impact of operating, financing and investing activities, compared to net cash decrease of $0.2 million in Q2-24 and cash increased of $0.5 million in YTD-23.

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 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) of our June 30, 24 unaudited financial statements).

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 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.

Our Q2-24 unaudited 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 unaudited 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 condensed statements of financial position classifications used. Such adjustments could be material.

Liquidities

	Q2-24	**YE-23**	*$*	*%*
Cash	**289**	**8**	***281***	***3513%***
Accounts receivables	3 270	2 682	*588*	*22%*
Inventories	5 311	4 109	*1 202*	*29%*
Prepaid expenses and deposits	1 011	405	*606*	*150%*
Accounts payable and accrued liabilities	3 764	5 976	*(2 212)*	*-37%*
Short-term financing and current portion of LTD	5 583	9 098	*(3 515)*	*-39%*
Working capital	**534**	**(7 870)**	***8 404***	***-107%***

Since the start of FY-24, LSL Pharma has significantly reduced its net loss, and been successful in completing two private placement financings for net proceeds of $7.3 million providing liquidities to fund operations, the acquisition of Virage Santé as well as settle short term liabilities/debts.

The combination of debt repayments, loans/debt conversion and extensions combined with the Corporation`s improved results has helped transform the Corporation's balance sheet. Working capital improved significantly from a $7.9 million deficit to a $0.5 million surplus between YE-23 and Q2-24.

During Q2-24, Secured Debentures totaling $4.0 million became due. The Corporation has since reached an agreement with holders of the Secured Debentures to extend the repayment prior to December 31, 2024.

LSL has generated operating profits and positive EBITDA for each of the last 2 quarters. -Except for addressing the repayment of the secured debentures, LSL Pharma believes that improved operating cash flows, the financings completed to date in FY-24 and the existing operating line of credit provide adequate financial flexibility for LSL Pharma to meet its operating and financial obligations. With the majority of its long-term assets unencumbered, the Corporation is confident

in its ability to secure the required capital from conventional lenders to address the maturities of the secured debentures before YE-24.

Financial risks and fair value measurement – *refer to our 2023 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.

Disclosure of Outstanding Share Data

LSL Pharma's authorized share capital consists of an unlimited number of Class A Common Shares. As at August 23, 2024, LSL Pharma had 115,532,676 Class A Common Shares outstanding. In addition, a total of 46,000,802 Class A Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by LSL Pharma, and comprised of:

i. 4,697,143 Class A Common Shares issuable upon conversion of the Convertible Debentures,
ii. 34,123,659 Class A Common Shares issuable upon exercise of Warrants and Compensation warrants,
iii. 7,180,000 Class A Common Shares issuable upon exercise of Options (assuming full vesting).