LSL PHARMA GROUP INC.

Annual Report

Fiscal Year ended on

December 31, 2023

Consolidated Financial Statements of

LSL PHARMA GROUP INC.
(formerly Corporation Exploration Îledor)

Years ended December 31, 2023 and 2022

LSL PHARMA GROUP INC.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LSL Pharma Group Inc.

Opinion

We have audited the consolidated financial statements of LSL Pharma Group Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022
- the consolidated statements of loss and other comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended

and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (b) in the financial statements, which indicates that the Entity has incurred net losses and negative cash flows from operations for the years ended December 31, 2023 and 2022, has negative working capital (current liabilities in excess of current assets), has a deficit as at December 31, 2023, and that its operations are dependent on generating positive cash flow from operations, the continued financial support of its shareholders and lenders and/or obtaining additional financing.

As stated in Note 2 (b) in the financial statements, these events or conditions, along with other matters as set forth in Note 2 (b) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the “Material Uncertainty related to Going Concern” section of the auditor’s report, we have determined the matter described below to be the key audit matter to be communicated in our auditor’s report.

Evaluation of the fair value of the consideration transferred in the Reverse Acquisition

Description of the matter

We draw attention to Note 1, Note 4, Note 14, Note 22 to the financial statements. On December 22, 2022, LSL Laboratory Inc. entered into an agreement with Corporation Exploration Îledor (“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 acquisition with LSL Laboratory Inc. (the "RTO") and Îledor changed its name to LSL Pharma Group Inc.

For accounting purposes, it has been determined that Îledor was the accounting acquiree and LSL Laboratory Inc. was the accounting acquirer as the shareholders of LSL Laboratory Inc. now control the Entity. As Îledor does not meet the definition of a business, the transaction has been accounted for as a reverse acquisition of net liabilities of Îledor by LSL Laboratory Inc.

The acquisition-date fair value of the consideration transferred by the accounting acquirer, LSL Laboratory Inc., for its interest in the accounting acquiree, Îledor, of $537 thousand or 825,869 Class A common shares was determined based on the fair value of the equity interest that LSL Laboratory Inc. would have had to pay to the owners of Îledor before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition. This is recorded as an increase in Class A common shares in the consolidated statement of financial position.

In determining the fair value of the consideration transferred by the accounting acquirer totaling $537 thousand, the Entity's significant assumptions include using the unit value outlined in the concurrent private placement agency agreement to derive the fair value of the shares transferred.

The Entity determined the relative fair value of the shares and warrants included in such units issued based on a market approach using a back-solve method and using a Black-Scholes option pricing model to determine the fair value of warrants. The assumption of expected volatility used in the warrants valuation model is based on the average historical volatility of comparable companies for the period equal to the expected life.

As the fair value of Îledor's net liabilities at the reverse acquisition date was $(553) thousand, the excess of consideration transferred over the net liabilities assumed of $1,090 thousand is reflected in costs related to reverse acquisition in the consolidated statements of loss and comprehensive loss.

Why the matter is a key audit matter

We identified the evaluation of the fair value of the consideration transferred in the reverse acquisition as a key audit matter. The reverse acquisition transaction represented a significant risk of material misstatement given its magnitude and complexity. In addition, significant auditor's judgment and effort involving more experienced professionals and professionals with specialized skills and knowledge were required in evaluating the results of our audit procedures regarding the Entity's significant assumptions and judgments over the determination of the fair value of the consideration transferred.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We read the reverse acquisition legal documents to understand the terms of the arrangement and to evaluate the proper determination of the accounting acquirer and of the accounting of the transaction as a reverse acquisition of net liabilities
- We evaluated the appropriateness of the Entity's share price assumption by comparing it to the share price derived from the Entity's concurrent private placement unit price, given they had the same characteristics and conditions

- We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of:
    - The Entity's model used to determine relative fair value of the shares and warrants included in the units issued in the concurrent private placement
    - The Entity's expected volatility assumption by comparing it to an expected volatility rate independently developed using the historic share trading activity of comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report Alain Bessette.

KPMG LLP*

Montreal, Canada

April 29, 2024

*CPA auditor, public accountancy permit No. A115894

LSL PHARMA GROUP INC.

Consolidated Statements of Financial position

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

For the years ended December 31, 2023 and 2022

	Notes	**2023**	2022 (Recast – Note 14 (d))
ASSETS			
Current assets			
Cash and cash equivalents		**8**	-
Accounts receivable	*6,19*	**2,682**	1,231
Inventories	*7*	**4,109**	2,957
Prepaid expenses		**405**	207
Total current assets		**7,204**	4,395
Deposits		**20**	20
Property, plant and equipment	*8*	**14,745**	13,916
Intangible assets	*9*	**8,931**	8,981
Total assets		**30,900**	27,312
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*10 (a)*	**5,976**	6,118
Revolving credit facility	*11*	**670**	493
Other financial liabilities	*6*	**-**	1,042
Notes payable	*10 (b)*	**3,096**	2,242
Deferred revenue		-	8
Current portion of long-term debt	*12*	**5,215**	1,579
Current portion of lease liabilities	*13*	**117**	136
Total current liabilities		**15,074**	11,618
Long-term notes payable to related parties	*18*	**531**	100
Long-term debt	*12*	**4,202**	7,742
Lease liabilities	*13*	**2,438**	2,561
Total liabilities		**22,245**	22,021
SHAREHOLDERS' EQUITY			
Share capital and warrants	*14*	**24,198**	15,053
Equity component of convertible debenture	*12*	**375**	-
Contributed surplus		**2,316**	-
Deficit		**(18,234)**	(9,762)
Total shareholders' equity		**8,655**	5,291
Total liabilities and shareholders' equity		**30,900**	27,312

Going concern (note 2 (b)); Subsequent events (note 23)

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

(Signed) François Roberge __________, *Director*

(Signed) Pierre B. Lafrenière __________, *Director*

LSL PHARMA GROUP INC.

Consolidated Statements of Loss and Comprehensive Loss

(All amounts in thousands of Canadian dollars except for share, unit, warrants and per share/units amounts)
For the years ended December 31, 2023 and 2022

	Notes	**2023**	2022
Revenues		**10,028**	8,214
Cost of goods sold	*7, 16*	**8,383**	10,386
Gross Profit (Loss)		**1,645**	(2,172)
Expenses			
Selling expenses	*16*	**299**	411
Administrative expenses	*16*	**3,275**	3,505
Research and development expenses		**70**	669
Total operating expenses		**3,644**	4,585
Operating loss		**(1,999)**	(6,757)
Costs related to reverse acquisition	*22*	**2,550**	425
Share-based compensation	*14 (c)*	**2,117**	-
Loss before finance expenses and income taxes		**(6,666)**	(7,182)
Finance expenses, net	*15*	**1,806**	880
Loss before income taxes		**(8,472)**	(8,062)
Income taxes	*17*	**-**	-
Net loss, being the comprehensive loss for the year		**(8,472)**	(8,062)
Basic and diluted loss per share	*20*	***(0.11)***	*(0.12)*

See accompanying notes to consolidated financial statements.

LSL PHARMA GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

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

For the years ended December 31, 2023 and 2022

	Notes	Class A shares and warrants: Number of shares	Number of Warrants	Amount	Equity component of convertible debenture	Contributed surplus	Deficit	Total
Balance as at December 31, 2021		**62,655,000**	**28,172,000**	**12,812**	**-**	**-**	**(1,699)**	**11,113**
Share issuance (Recasted – Note 14 (d))	*14*	5,434,000	5,434,000	2,367	-	-	-	2,367
Share issuance costs, net of tax of nil		-	-	(126)	-	-	-	(126)
Net loss		-	-	-	-	-	(8,063)	(8,063)
Balance as at December 31, 2022 (Recast – Note 14 (d))		**68,089,000**	**33,606,000**	**15,053**	-	**-**	**(9,762)**	**5,291**
Share and warrants issuance	*14 (a), 14 (b)*	**13,520,308**	**5,971,855**	**9,463**	**-**	**-**	**-**	**9,463**
Effect of reverse acquisition	*14 (a), 22*	**825,869**	**-**	**537**	**-**	**-**	**-**	**537**
Share-based compensation	*14 (c)*	**-**	**-**	**-**	**-**	**2,117**	**-**	**2,117**
Share issuance costs, net of tax of nil	*14 (a), 14 (b)*	**-**	**670,818**	**(855)**	**-**	**128**	**-**	**(727)**
Issuance of convertible debenture, net of issuance costs	*12 (v), 14 (b)*	**-**	**318,085**	**-**	**375**	**71**	**-**	**446**
Net loss		**-**	**-**	**-**	**-**	**-**	**(8,472)**	**(8,472)**
Balance as at December 31, 2023		**82,435,177**	**40,566,758**	**24,198**	**375**	**2,316**	**(18,234)**	**8,655**

See accompanying notes to consolidated financial statements.

LSL PHARMA GROUP INC.

Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars except for share, unit, warrants and per share/units amounts)
For the years ended December 31, 2023 and 2022

	Notes	**2023**	2022 (Recast - refer to note 14 (d))
Cash provided by (used in):			
OPERATING ACTIVITIES:			
Net loss for the year		**(8,472)**	(8,062)
Adjustments:			
Consideration transferred from Îledor in excess of net liabilities assumed	*22*	**1,090**	-
Depreciation and amortization		**1,129**	1,047
Finance expenses, net	*15*	**1,806**	880
Share-based compensation	*14 (c)*	**2,117**	-
Net change in non-cash operating working capital items	*21*	**(4,740)**	2,971
Cash used by operating activities		**(7,070)**	(3,164)
INVESTING ACTIVITIES:			
Acquisition and deposits on property, plant and equipment		**(656)**	(997)
Acquisition of intangible assets		**(361)**	-
Cash used by investing activities		**(1,017)**	(997)
FINANCING ACTIVITIES:			
Repayment of long-term debt	*21*	**(2,525)**	(823)
Issuance of long-term debt	*21*	**3,288**	863
Issuance costs of long-term debt	*21*	**(526)**	(65)
Proceeds from issuance of common shares and warrants		**9,463**	2,367
Share issuance costs		**(727)**	(126)
Net increase in notes payable	*18, 21*	**854**	2,497
Interest paid	*21*	**(1,040)**	(883)
Net change in other financial liabilities	*21*	**(1,058)**	(697)
Net increase from revolving credit facility	*21*	**195**	500
Payment of lease liabilities	*21*	**(260)**	(313)
Net increase in long-term notes payable to related parties	*21*	**431**	100
Cash provided by financing activities		**8,095**	3,420
Net change in cash and cash equivalents		**8**	(741)
Cash and cash equivalents, beginning of year		**-**	741
Cash and cash equivalents, end of year		**8**	-

Additional cash flow information is presented in note 21.

See accompanying notes to consolidated financial statements.

1. Reporting entity

LSL Pharma Group Inc. (the "Corporation"), formerly Corporation Exploration Îledor ("Îledor") up to the completion of the reverse takeover, as defined below, is incorporated under the Canada Business Corporations Act. The head office and the registered office of the Corporation is located at 540, rue D'Avaugour, Boucherville, Québec. These consolidated financial statements comprise the Corporation and its wholly-owned subsidiaries, Steri-Med Pharma Inc., LSL Laboratory Inc. and Groupe Immobilier LSL inc. (together referred as the "Group"). The Group develops, manufacturers and commercializes sterile pharmaceutical products and natural health products.

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

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

In connection with the RTO, the following transactions occurred:

- In connection with the RTO, the Corporation completed a series of private placements (the "RTO private placements"), and issued a total of 11,945,308 Units (the "Units") and 1,575,000 Class A common shares for gross proceeds of $9,463. Issuance costs amounted to $855 including $727 for Units and Class A common share issuances, and $128 for the issuance of 670,818 compensation warrants ("Compensation Warrants – RTO"). The assumptions used to estimate the fair value of the compensation warrants using the Black-Scholes option pricing model are presented in note 14 (c). Each Unit consists of one (1) Class A common share (post-consolidation) and one half (1/2) warrant. Each whole warrant entitles the holder to acquire one (1) additional Class A common share (post-consolidation) at a price of $1.00 for a period of 18 months. The fair value attributed to the warrants in this transactions is $0.10 per warrant or $0.05 per one half (1/2) warrant (using a volatility of 57.5%);
- 662,818 Compensation Warrants – RTO were paid as commissions for the First Tranche Private Placement and 8,000 Compensation Warrants – RTO were paid as commissions for the Second Tranche Private Placement, where each such Compensation Warrants – RTO entitles its holder to acquire one Unit (on the same terms as the Units in the RTO private placements) at a price of $0.70 per Unit for a period of 18 months from the closing date of the offering;
- A stock option plan was established by the Resulting Issuer;
- Following the RTO and the RTO private placements, there were 82,435,177 issued and outstanding Class A common shares (post-Consolidation) of LSL Pharma Group Inc., of which the former common shareholders of LSL Laboratory Inc. controlled a majority.

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

2. Basis of preparation

(a) Basis of presentation:

These consolidated financial statements of the Corporation have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on April 29, 2024.

(b) Going concern:

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

The Corporation has incurred net losses and negative cash flows from operations for the years ended December 31, 2023 and 2022, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at

December 31, 2023. 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 (refer to note 23, "Subsequent events", for information in relation to the promissory note, the private placement and secured debenture extension).

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.

The 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 consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material.

3. Functional and presentation currency and basis of measurement:

These consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial liabilities measured at fair value through profit or loss.

4. Use of judgments and estimates:

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

The following are critical estimates and judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of non-financial assets:

At each reporting date, if any indication of impairment exists for property, plant and equipment (including right-of-use assets) and intangible assets, the Corporation performs an impairment test to determine if the carrying amounts are recoverable. Significant judgements are made in determining the recoverable amounts of the Corporation's property, plant and equipment (including right-of-use assets) and intangible assets, and in evaluating whether certain events or circumstances may represent evidence of impairment. Estimates of the recoverable amounts rely on certain factors such as future cash flows and discount rate. Future cash flows are based on sales projections and costs which are estimated based on forecasted results while discount rate is based on the Corporation's cost of capital. Future outcomes may be materially different than those assumptions used in the impairment assessment and therefore could have a significant effect on the results of the Corporation.

(b) Fair value used in measurement of financial liabilities:

Certain financial liabilities require significant estimates in order to determine the fair value at initial recognition and subsequent measurement. When measuring fair value, the Corporation shall take into account the characteristics of the liability if market participants would take those characteristics into account when pricing the liability at the measurement date.

(c) Valuation of share-based compensation and warrants:

The Corporation measures the cost of share-based payments with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of stock-based payments and warrants granted, the Corporation uses, depending on terms and conditions, the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Corporation's stock options and warrants granted using these models, including the expected life of the option or warrant, the share price of the underlying shares and volatility. Details of the assumptions used are included in note 14.

(d) Valuation of convertible financial instruments:

The Corporation estimated the value of the liability portion of the Debentures at inception by reference to a market rate for the debt instrument alone with the residual value allocated to an equity component presented as Equity component of convertible debenture on the consolidated statement of financial position. The prepayment feature was identified as an embedded derivative financial instrument measured at FVTPL.

The calculation of the fair value of the debt component of debentures requires using an interest rate that the Corporation would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimates by reference to loan interest paid by comparable companies in the similar sector.

(e) Reverse takeover transaction:

In determining the fair value of the consideration transferred by the accounting acquirer, the Corporation' significant assumptions include using the unit value outlined in the concurrent private placement agency agreement to derive the fair value of the shares transferred. The Corporation determined the relative fair value of the shares and warrants included in such units issued based on a market approach using a back-solve method using a Black-Scholes option pricing model to determine the fair value of warrants as described in note 4 (e) and 14.

5. Material accounting policies:

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The Corporation's accounting policies are as follows:

(a) Basis of consolidation:

The consolidated financial statements of the Corporation include the accounts of the Corporation and of its subsidiaries.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries sold during the year are deconsolidated from the date of disposal. The following table shows the Corporation's subsidiaries at December 31, 2023.

Subsidiary	Jurisdiction	% ownership
LSL Laboratory Inc.	Canada	100%
Steri-Med Pharma Inc. ("Steri-Med")	Canada	100%
Groupe Immobilier LSL Inc.	Canada	100%

(b) Inventories:

Inventories are valued at the lower of cost, determined under the first-in first-out method, and net realizable value. Raw materials include the cost of purchase and transportation costs that are directly incurred to bring inventories to their present location and condition. Work in progress ("WIP") and finished goods also include the costs directly related to the conversion of materials to finished goods. Net realizable value is the estimated selling price of finished goods in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) Property, plant and equipment:

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use.

Depreciation is calculated over the cost of the asset less its residual value and is recognized in net profit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Asset	Period
Building	20 years
Computer equipment	5 years
Furniture	10 years
Production equipment	10 to 25 years
Laboratory equipment	10 years
Leasehold improvements	Lease term

(d) Intangible assets:

Intangible assets are comprised of customer relationships and product formulas that have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs are capitalized as a part of intangible assets only if they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient financial and technical resources to complete development and to use or sell the asset. In situations where development qualifies for government research incentives, the investment tax credits are netted against the expenditures made for the specific product project.

Customer relationships and product formulas are amortized using the straight-line method over 15 years and 25 years, respectively.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(e) Impairment of intangible assets with a finite useful life, property, plant and equipment and right-of-use assets:

The Corporation reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, property, plant and equipment and right-of-use assets on each reporting date.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of a CGU (or group of CGUs) is the higher of its value in use and its fair value less costs of disposal. Value in use is determined by discounting estimated future cash flows, using a discount rate that reflects current market assessments, the time value of money and the risks specific to the CGU (or group of CGUs).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Corporation recognizes a right-of-use asset (included in property, plant and equipment in the consolidated statement of financial position) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method (as mentioned in Note 5(e)). The lease term includes consideration of an option to renew or to terminate if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments).

(g) Financial instruments:

(i) Recognition, classification and initial measurement:

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value to other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL") based on the business model objective, whether achieved by collecting contractual cash flows or selling the financial assets or both, as well as whether or not the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition are added to its initial cost.

As at December 31, 2023 and 2022, the Corporation has classified all of its financial assets at amortized cost.

Financial liability

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit. Any gain or loss on derecognition is also recognized in the statement of net loss and comprehensive loss. For an item not at FVTPL, transaction costs that are directly attributable to its issuance are deducted of its initial cost.

The Corporation has classified all of its financial liabilities at amortized cost, with the exception to the embedded derivative in relation to the unsecured convertible debentures as at December 31, 2023 (refer to note 12 (v)) and the First advance payable to Finaccès Capital inc. as at December 31, 2022 (refer to note 12), that are subsequently measured at FVTPL.

Compound financial instruments

Compound financial instruments issued by the Corporation include convertible notes. Unless the Corporation elects to designate the entire instrument at FVTPL, compound financial instruments are separated into financial liability and equity components based on the terms of the contract. On issuance of the instrument, the proceeds are allocated to the financial liability component first, based on its fair value determined using a market rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years (refer to note 12 (v)).

Transaction costs are apportioned between the liability and equity components, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized

(ii) Derecognition:

Financial assets are derecognized when the contractual rights to receive cash flows from the instruments have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

(iii) Impairment:

The Corporation recognizes the allowance for expected credit losses (ECLs) on financial assets measured at amortized cost, which takes into account current economic conditions, historical information, and forward-looking information, including higher interest rates and inflation. The Corporation uses the simplified approach for measuring losses based on the lifetime ECL for trade receivables.

(h) Fair value measurement:

In establishing the fair value, the Corporation uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets for identical instruments.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(j) Revenue:

The Corporation derives revenues mainly from the sales of finished goods. The Corporation recognizes these revenues at a point in time, when it transfers control over the good to a customer, which is when a customer takes possession of the goods. Customers obtain control of products when the goods are delivered and have been accepted at their premises, or when picking up goods at the Corporation's premises.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The amount of revenue recognised is adjusted for deductions such as expected returns, rebates and other items, which are estimated based on historical experience and other relevant factors.

(k) Income taxes:

Income tax expense comprises current and deferred income taxes. It is recognized in net profit except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes

Current income taxes comprise the expected tax payable or receivable on the taxable income for the periods and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income taxes reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

(l) Segment reporting:

The Corporation determined that it operates in a single operating segment.

(m) Changes to accounting standards:

The Corporation adopted the following amendments to accounting standards:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2023): Disclosure of accounting policies, to require entities to disclose material accounting policies information rather than significant accounting policies;
- Amendments to IAS 8, Accounting policies (applicable for annual reporting beginning on or after January 1, 2023): Changes in accounting estimates and errors, to clarify the definition of the terms "accounting policy" and "accounting estimate";
- Amendments to IAS 12, Income Taxes (applicable for annual reporting beginning on or after January 1, 2023): Deferred income taxes related to assets and liabilities arising from a single transaction, to restrict the scope of the exemption related to the recognition of deferred income taxes.

The adoption of these amendments to accounting policies had no material impact on the financial statements.

New accounting standards pronouncements not yet effective includes the following:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2024):

  On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

  For the purpose of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

  The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability's classification at that date.

  The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

  (i) settlement of a liability includes transferring a company's own equity instruments to the counterparty, and

  (ii) when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

  The amendments are effective for annual periods beginning on or after January 1, 2024. Management is still assessing the impact, if any, of the adoption of this standard.

- IFRS 18 - Presentation and Disclosure in Financial Statements (applicable for annual reporting beginning on or after January 1, 2027):

  On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

  The new Accounting Standard introduces significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers.

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

The main impacts of the new Accounting Standard include:

(i) introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities (i.e. operating, investing and financing);

(ii) requiring disclosure about management performance measures (MPMs); and

(iii) adding new principles for aggregation and disaggregation of information.

IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The extent of the impact of adoption of this new IFRS has not yet been determined and the Company has not determined if it would adopt by anticipation.

6. Accounts receivable and other financial liabilities:

	Notes	**2023**	2022
Trade receivables [(i)]	*19*	**2,594**	1,005
Allowance for expected credit losses	*19*	**(42)**	(40)
Sales taxes receivable		**130**	74
Receivable from îledor	*18,22*	**-**	192
		2,682	1,231

(i) Prior to August 2023, the Corporation received early payment of customer invoices by factoring its receivables from its clients. Under the initial arrangement, the lender agreed to pay amounts upfront equal to 70% to 90% of the receivable to the Corporation in respect of invoices owed by its clients and other current advances. The remaining portion of the payment was received after they received the payment from the customer. The related trade receivables were not derecognised from the consolidated statements of financial position because the Corporation retained substantially all of risks and rewards – primarily credit risk. The amount received on transfer were recognized as other financial liabilities in the consolidated statements of financial position. The arrangement was such that the customers remit cash directly to the lender and the lender then transferred the cash to the Corporation on a monthly basis. The trade receivables were considered to be held within a held-to-collect business model consistent with the Corporation's continuing recognition of the trade receivables. The payments received from the lender were included as operating activities in the consolidated statement of cash flows. As the agreement ended August 2023, the Corporation's is now collecting accounts receivables from its customers.

The following information shows the carrying amount of trade receivables at the reporting dates that were transferred but were not derecognized and the associated liabilities:

	2023	2022
Carrying amount of trade receivables transferred	**-**	1,005
Carrying amount of other financial liabilities in relation to trade receivables transferred [(i)]	**-**	865

[(i)] On April 11, 2022, the Corporation entered into an agreement for a revolving credit facility with its factor for a maximum amount of $2,000 (the "Factor revolving credit facility"). The facility bears interest at CDOR plus 7,45%. As at December 31, 2022, the amount of the other financial liabilities was $1,042, including $177 borrowed under the credit facility. On August 2, 2023, the other financial liabilities were reimbursed from the new revolving credit facility (refer to note 11).

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

7. Inventories:

	2023	2022
Raw materials	**1,373**	686
Packaging supplies – labels	**718**	739
Work in progress	**264**	304
Finished goods	**1,827**	1,318
Provision for obsolescence and net realizable value	**(73)**	(90)
	4,109	2,957

The cost of inventories recognized as an expense within cost of goods sold during the year ended December 31, 2023 was $7,805 (2022 - $9,177). The provision for obsolescence and net realizable value relates to raw material and finished goods, respectively.

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

8. Property, plant and equipment:

	Land	*Building*	*Computer equipment & Furniture*	*Production & laboratory equipment*	*Leasehold improvements*	*Assets under construction*	*Right-of-use assets - building*	*Right-of-use assets - production equipment*	*Total*
Cost									
Balance as at December 31, 2021	284	3,630	224	5,106	930	470	2,912	763	14,319
Additions	-	281	54	161	1	1,299	-	-	1,796
Balance as at December 31, 2022	284	3,911	278	5,267	931	1,769	2,912	763	16,115
Additions	**-**	**61**	**47**	**429**	**1,131**	**34**	**-**	**-**	**1,702**
Disposition	**-**	**-**	**-**	**-**	**(155)**	**-**	**-**	**-**	**(155)**
Transfer	**-**	**-**	**-**	**-**	**1,803**	**(1,803)**	**-**	**-**	**-**
Balance as at December 31, 2023	**284**	**3,972**	**325**	**5,696**	**3,710**	**-**	**2,912**	**763**	**17,662**
Accumulated depreciation									
Balance as at December 31, 2021	-	(201)	(52)	(568)	(122)	-	(375)	(115)	(1,433)
Depreciation	-	(127)	(31)	(223)	(126)	-	(229)	(30)	(766)
Balance as at December 31, 2022	-	(328)	(83)	(791)	(248)	-	(604)	(145)	(2,199)
Depreciation	**-**	**(132)**	**(34)**	**(245)**	**(237)**	**-**	**(195)**	**(30)**	**(873)**
Disposition	**-**	**-**	**-**	**-**	**155**	**-**	**-**	**-**	**155**
Balance as at December 31, 2023	**-**	**(460)**	**(117)**	**(1,036)**	**(330)**	**-**	**(799)**	**(175)**	**(2,917)**
Net carrying amounts									
Balance as at December 31, 2022	284	3,583	195	4,476	683	1,769	2,308	618	13,916
Balance as at December 31, 2023	**284**	**3,512**	**208**	**4,660**	**3,380**	**-**	**2,113**	**588**	**14,745**

The Corporation is currently involved in a dispute regarding costs related to the relocation/expansion of one of its production plants. While there is inherent difficulty in predicting the outcome of such matters, management is vigorously contesting the validity of this claim, and based on current knowledge, believes it is too early to determine the outcome of this matter. As a result at December 31, 2023, no amounts were provisioned related to this claim.

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

9. Intangible assets:

	Product formulas	*Customer relationship*	*Product Development costs*	*Total*
Cost				
Balance as at December 31, 2021	9,678	368	-	10,046
Additions	-	-	-	-
Balance as at December 31, 2022	9,678	368	-	10,046
Additions	50	-	311	361
Balance as at December 31, 2023	**9,728**	**368**	**311**	**10,407**
Accumulated depreciation				
Balance as at December 31, 2021	(549)	(104)	-	(653)
Amortization	(387)	(25)	-	(412)
Balance as at December 31, 2022	(936)	(129)	-	(1,065)
Amortization	(387)	(24)	-	(411)
Balance as at December 31, 2023	**(1,323)**	**(153)**		**(1,476)**
Net carrying amounts				
Balance as at December 31, 2022	8,742	239	-	8,981
Balance as at December 31, 2023	**8,405**	**215**	311	**8,931**

10. Accounts payable, accrued liabilities and notes payable:

(a) Accounts payable and accrued liabilities

	2023	2022
Accounts payable	**4,916**	4,535
Accrued liabilities	**741**	1,469
Interest payable	**319**	114
	5,976	6,118

Subsequent to year end 2023, accounts payable totalling $1,366 were converted into units as part of a units for debt financing (refer to note 23).

(b) Notes payable

As at December 31, 2023, notes payable of $2,896 ($2,242 – 2022 (Recast – Note 14 (d))) were outstanding, bearing interest between 8% and 12% as well as $200 (nil – 2022) non-interest bearing. Subsequent to year end 2023, a total of $1,745 were converted into units as part of a units for debt financing (refer to note 23).

11. Revolving credit facility:

On June 13, 2022, the Corporation entered into a revolving credit facility agreement with CAE Capital. The maximum available amount is $500 and is limited to a specified percentage of accounts receivable and open orders placed by a specific customer, and was initially repayable on May 31, 2023 and extended to October 31, 2023. The amount drawn under this credit facility as at December 31, 2022 was $493. As at December 31, 2023, the facility was reimbursed and closed.

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

On May 19, 2023, the Corporation entered into a revolving credit facility agreement with TD Bank (the "TD bank facility"). The maximum available amount is $1,350 and is limited to a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at December 31, 2023 is $670 (2022 – nil).

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

12. Long-term debt:

	2023	2022
Secured debentures (i)	**4,851**	4,679
First advance payable to Finaccès Capital (ii)	**-**	2,050
Second advance payable to Finaccès Capital (ii)	**1,158**	1,003
Secured loans from Desjardins (iii)	**633**	1,029
Term loan from Investissement Québec (iv)	**390**	480
Unsecured convertible debentures (v)	**2,345**	-
Canadien Emergency Business Account (CEBA)	**40**	80
	9,417	9,321
Current	**5,215**	1,579
Non-current	**4,202**	7,742
Total	**9,417**	9,321

Subsequent to year end 2023, secured debentures representing nominal amounts of $500 were converted into units as part of units for debt financing (refer to note 23).

(i) Secured debentures:

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

On September 9, 2021, the Corporation issued a second tranche of $300, bearing interest at 6% annually for a total amount of $271, net of transaction fees of $29, bringing the total amount drawn as at December 31, 2021 and 2022 to $5,000 (altogether referred to as the "Debentures").

In December 2022, the Corporation amended some of the Debentures to extend the repayment date from December 10, 2023 to June 10, 2024, for $4,650 out of the total nominal amount of $5,000 of issued and outstanding Debentures. The interest rate for the extension period starting December 10, 2023 is 9.5%. The weighted-average effective interest rate on the debentures is 11.86%.

In December 2023, the Corporation signed an amendment with a Debentures holder to extend the repayment date from March 9, 2024 to March 9, 2026, for $150 out of the remaining nominal amount of issued and outstanding Debentures. The interest rate for the extension period starting March 9, 2024 is 9.5%. The weighted-average effective interest rate on the debentures is 11.90%.

Debentures totalling $1,150 are held by related parties (refer to note 12). The secured debentures are guaranteed by movable and immovable property of the Corporation, except all of its current assets.

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

The movement in secured debentures is as follows:

	Notes	**2023**	2022
Balance at beginning of year		**4,679**	4,478
Additions		**-**	-
Payment		**(50)**	
Accretion expense included in interest on long-term debt	*15*	**222**	201
Balance at end of year [(1)]		**4,851**	4,679

(1) $4,759 of the amount is classified in the current portion as it is repayable within 12 months from December 31, 2023 (December 31, 2022 - $343).

(ii) Finaccès Capital Inc.:

The First advance payable to Finaccès Capital bears interest at 18% annually and was fully repaid in March 2023, following the completion of the RTO.

The second advance payable to Finaccès Capital bears interest at 18% annually and any unpaid advances are due January 1, 2027. The interest rate was amended to 15% for the year 2024.

Both the First and Second advance payable to Finaccès Capital inc. are secured by a second rank guarantee over accounts receivable, inventories and by a third rank guarantee over property, plant and equipment.

The First and Second advances were recorded at their fair value using an effective rate of 12%. The Corporation recorded a gain of $657 (refer to note 15) resulting from this transaction in the statement of loss and comprehensive loss for the year ended December 31, 2022.

(iii) Desjardins:

As at December 31, 2023, the Corporation had three loans outstanding with Desjardins totalling $633 ($1,029 - 2022). The loans bear interest at prime rate plus 2.5%, are guaranteed by a movable hypothec on LSL Laboratory Inc.'s equipment and by subordinated guarantees on current assets as well as by a guarantee from Investissement Québec.

As at December 31, 2023, the first loan has a balance of $497 outstanding ($807 - 2022), matures on April 1, 2025 and is payable in monthly instalments of $14. The second loan has a balance of $68 outstanding ($111 - 2022), matures on April 1, 2025 and is payable in monthly instalments of $2. The third loan has a balance of $68 outstanding ($111 - 2022) and matures on July 1, 2024 and is payable in monthly instalments of $3.

(iv) Investissement Québec:

The term loan from Investissement Québec was amended in December 2022. Before December 2022, the loan was payable in 15 monthly instalments of $10 with a final payment of $500 due in October 2022, interest at prime rate plus 7%. After the amendment, the term loan is now repayable in 48 monthly instalments of $10, maturing in December 2026. The term loan now bears interest at prime rate plus 5.05% and is guaranteed by movable property of Steri-Med, present and future, tangible and intangible.

(v) Unsecured convertible debentures

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

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

The Compensation Warrants – Unsecured convertible debentures are exercisable to acquire one Class A Share of the Corporation at a price of $0.70 for a period of 24 months from the date of issuance.

Each Debenture will, at the option of the holder, be convertible in its entirety into Class A shares of the Corporation at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the maturity date of October 31, 2028, and (ii) the date fixed for redemption, at a conversion price of $0.70 per Class A Share (the "Conversion Price"), subject to adjustment in certain events.

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

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

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

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

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

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

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

The movement in convertible debentures is as follows:

	2023
Balance, beginning of year	**-**
Additions	**3,288**
Fair value of conversion option allocated to equity, net of transaction costs of $80	**(375)**
Transaction costs	**(581)**
Accretion expense included in interest on long-term debt in note 15	**13**
Balance, end of year	**2,345**

Principal payments due on the long-term debt under the lending agreements, in each of the following years, are as follows:

2024	**5,215**
2025	**527**
2026	**1,429**
2027	**-**
2028	**3,288**

The table above includes long-term debt with variable payments which have been assumed to be fully repaid only during fiscal year 2026. Repayment and cash flow could take place earlier than as indicated in the table.

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

13. Lease liabilities:

	2023	2022
Balance at beginning of year	**2,697**	2,873
Payments	**(260)**	(313)
Interest expense (i)	**118**	137
Balance at end of year	**2,555**	2,697
Current	**117**	136
Non-current	**2,438**	2,561
Total	**2,555**	2,697

(i) An amount of $34 of interest expense was capitalized in asset under construction for the year ended December 31, 2023 (2022 - $100).

	2023	2022
Contractual undiscounted cashflows:		
Less than 1 year	**239**	264
Between 1 and 5 years	**1,128**	1,086
More than 5 years	**2,036**	2,323
Total undiscounted lease liabilities	**3,403**	3,673

Discount rate on leases ranges from 4.23% to 13.85%.

14. Share capital and warrants:

(a) Share capital

Class A Shares ("Class A")

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

In connection with the RTO, the Corporation completed the “RTO private placements”, and issued a total of 11,945,308 Units and 1,575,000 Class A common shares for gross proceeds of $9,463. Issuance costs amounted to $855 including $727 for Units and Class A common share issuances, and $128 for the issuance of 670,818 Compensation Warrants – RTO . The assumptions used to estimate the fair value of the Compensation Warrants – RTO using the Black-Scholes option pricing model are presented in note 14 (c).

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

	2023
Private placement	**8,893,709**
Finaccès	**3,000,000**
Other concurrent investors	**51,599**
Total	**11,945,308**

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

Class B Shares ("Class B")

The Corporation is authorized to issue an unlimited number of non-voting Class B shares. The holders of Class B shares have the right to receive a dividend fixed by the Board of Directors of the Corporation and to receive, upon a liquidation or dissolution event, a reimbursement for these shares (along with any unpaid and declared dividend) before the holders of Class A shares. However, these shares do not allow any supplemental participation to the Corporation's income or assets. There are no Class B shares issued.

All share issuances for the year ended December 31, 2022 were issued in exchange of cash consideration. For the year ended December 31, 2023, shares were issued in exchange of cash consideration and the acquisition of Îledor, including finders fees. All shares issued are Class A common shares.

(b) Warrants

As at December 31, 2022, there were 33,606,000 warrants outstanding in connection with Class A common share issuances. Each warrant entitles the holder to purchase one Class A common share at a subscription price of $0.70 per share. These warrants were set to expire in December 2022, except for 500,000 warrants that expire in September 2027. However, as part of the reversed takeover transaction described in note 1, the warrants set to expire in December 2022 were extended until June 30, 2024.

As part of the RTO Private Placements, 5,971,855 warrants were issued entitling the holder to acquire one (1) Class A common share (post-consolidation) at a price of $1.00 per common share for a period of 18 months. In addition, the Corporation issued 670,818 Compensation warrants - RTO entitling the holder to acquire one (1) Unit at a price of $0.70 per Unit for a period of 18 months. Lastly, the Corporation issued 318,085 Compensation warrants - Unsecured convertible debentures entitling the holder to acquire one (1) Class A common share (post-consolidation) at a price of $0.70 per common share for a period of 24 months.

The following table presents the warrants issued during the year ended:

	Issuance date	Number of warrants	Exercise price
Balance, beginning of year		33,606,000	0.70
Granted during the year			
Warrants (RTO)	February 22, 2023	5,971,855	1.00
Compensation warrants - RTO	February 22, 2023	670,818	0.70
Compensation warrants – Unsecured convertible debentures	November 2, 2023	229,300	0.70
Compensation warrants – Unsecured convertible debentures	December 11, 2023	88,785	0.70
Balance, end of year		**40,566,758**	**0.78**

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

Compensation warrants

The fair value of the 670,818 Compensation Warrants – RTO and 318,085 Compensation warrants – Unsecured convertible debentures was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	Compensation warrants - RTO	**Compensation warrants – Unsecured convertible debentures**
Fair value of compensation warrants at grant date	0.19	0.15
Share price at grant date	0.65	0.48
Exercise price	0.70	0.70
Risk-free interest rate	3.66%	4.37%
Expected volatility	62.67%	74.22%
Expected life	1.5 years	2 years

As at December 31, 2023, all compensation warrants are exercisable; none had vested and 988,903 are outstanding.

(c) Share-based compensation:

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

The Plan is administered by the Board of Directors of the Corporation and it has full and final authority with respect to the granting of all options thereunder. The exercise price of any options granted under the Plan shall be determined by the Board of Directors, subject to any applicable regulations or policies. Under the Plan, except for options granted to consultant performing investors relation activities, all options vest on grant and expire 10 years from the grant date.

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

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

Changes in the number of outstanding options related to the Plan were as follows:

	Number of shares	Weighted average exercise price
Outstanding options, beginning of year	-	-
Options granted	6,000,000	0.70
Outstanding options, end of year	6,000,000	0.70
Balance exercisable, end of year	**6,000,000**	**0.70**

The share-based compensation expense recorded under this plan amounted to $2,117 in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023 (2022 – nil).

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

The options outstanding as at December 31, 2023 (2022 – nil) have an exercise price of $0.70 and a remaining contractual life of 9.15 years.

The fair value of the granted options granted during the year ended December 31, 2023 was determined using the Black-Scholes option pricing model and based on the following assumptions:

Fair value of options at grant date	0.35
Share price at grant date	0.65
Exercise price	0.70
Expected dividend yield	-
Risk-free interest rate	3.66%
Expected volatility [(i)]	62.67%
Expected life	5 years
Contractual life	10 years

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period equal to the expected life.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% (December 31, 2022 - nil) in determining the share-based compensation expense recorded in the statements of loss.

Option pricing models require the input of highly subjective assumptions including the expected price volatility and share price. Changes in these assumptions can materially affect the fair value estimate.

(d) Recast of comparative information:

The Corporation reclassified an amount of $350 from share capital and warrants to $250 of notes payable and $100 of long-term notes payable to related parties at December 31, 2022.

15. Finance expense, net:

	Notes	**2023**	2022
Interest expense on long-term debt and revolving credit facility		**950**	904
Interest expense on other financial liabilities and factoring fees		**171**	248
Interest on notes payable		**226**	50
Interest expense on notes payable to related parties		**48**	-
Interest expense on revolving credit facility		**91**	29
Change in fair value of advances payable to Finaccès Capital inc.	*19 (d)*	**50**	151
Other finance expense		**186**	118
Interest expense on lease liabilities		**84**	37
Gain on debt settlement	*12*	**-**	(657)
		1,806	880

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

16. Additional information on the consolidated statements of loss and comprehension loss:

	2023	2022
Included in cost of goods sold:		
Employee salaries and benefits	**3,386**	3,199
Depreciation and amortization	**993**	961
Included in selling expenses:		
Employee salaries and benefits	**178**	278
Included in administrative expenses:		
Employee salaries and benefits	**1,893**	1,610
Depreciation and amortization	**136**	87
Moving costs	**133**	-
Severance and recruitment fees	**162**	-

17. Income Taxes:

The following table reconciles income taxes computed at the Corporation's statutory rate of 26.5% for the year ended December 31, 2023 (December 31, 2022 – 26.5%) and the total tax expense for the years as follows:

	2023	2022
Loss before taxes	**(8,472)**	(8,062)
Income taxes recovery calculated at the statutory tax rate	**(2,245)**	(2,137)
Decrease (increase) from:		
Unrecognized deferred tax assets	**1,397**	1,641
Other permanent differences	**866**	(18)
True up deferred tax	**-**	510
Other	**(18)**	4
	-	-

The income tax recovery is comprised only of deferred income tax items.

The movements in deferred income tax assets and liabilities, prior to offsetting of balances, are shown below:

			December 31, 2023
	Opening balance	**Recognized in net income**	**Closing balance**
Tax losses carried forward	**3,499**	**(202)**	**3,297**
Lease liabilities	**715**	**(38)**	**677**
Financing fees	**73**	**183**	**256**
R&D pool	**-**	**12**	**12**
Provision	**267**	**(103)**	**164**
Property, plant and equipment and right-of-use asset	**(2,176)**	**153**	**(2,023)**
Intangible assets	**(2,380)**	**(3)**	**(2,383)**
Other	**2**	**(2)**	**-**
Deferred income tax asset	-	-	-

			December 31, 2022
	Opening balance	Recognized in net income	Closing balance
Tax losses carried forward	3,287	212	3,499
Lease liabilities	751	(36)	715
Financing fees	79	(6)	73
R&D pool	126	(126)	-
Provision	114	153	267
Property, plant and equipment and right-of-use asset	(1,869)	(307)	(2,176)
Intangible assets	(2,489)	109	(2,380)
Other	1	1	2
Deferred income tax asset (liability)	-	-	-

As at December 31, 2023, there are $3,009 (December 31, 2022 – $1,641) of unrecognized deferred tax assets in relation to tax losses carried forward which were not recognized during the year ended December 31, 2023 because the criteria for recognition were note met.

The following table presents components of the deferred tax assets and liabilities:

		2023		2022
	Assets	**Liabilities**	Assets	Liabilities
Tax losses carried forward	**3,297**	**-**	3,499	-
Lease liabilities	**677**	**-**	715	-
Financing fees	**256**	**-**	73	-
R&D pool	**12**	**-**	-	-
Provision	**164**	**-**	267	-
Property, plant and equipment and right-of-use asset	**-**	**(2,023)**	-	(2,176)
Intangible assets	**-**	**(2,383)**	-	(2,380)
Other	**-**	**-**	2	-
	4,406	**(4,406)**	4,556	(4,556)
Offsetting of assets and liabilities	**(4,406)**	**4,406**	(4,556)	4,556
Deferred taxes asset (liabilities) not recognized	**-**	**-**	-	-
	-	-	-	-

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

The losses expire in the following years:

		2023
	Federal	**Provincial**
2037	223	-
2038	515	53
2039	5,824	6,590
2040	917	934
2041	245	294
2042	94	115
2043	2,314	2,342
2044	5,579	5,710
2045	6,247	6,226
	21,958	**22,264**

18. Transaction with related parties and shareholders:

Transactions with related parties:

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:

	2023	2022
Key management salaries and benefits	**1,097**	1,065

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

	Notes	**2023**	2022 (Recasted - Note 14 (d))
Assets:			
Receivable from Îledor related to expenses paid by the Corporation on behalf of Îledor	*6, 22*	**-**	192
Receivable from a company controlled by an director of the Corporation included in accounts receivable and related to the sale of Steri-Med products		**964**	19
Liabilities:			
Notes payable to key management personnel		**302**	292
Notes payable to a company controlled by a key management personnel of the Corporation		**229**	-
Amount of Convertible Debentures held by a key management personnel of the Corporation and recorded in long-term debt		**125**	-
Amount of Secured Debentures held by a company controlled by a director of the Corporation and recorded in long-term debt	*12*	**1,000**	1,000
Amount of Secured Debentures held by a key management personnel of the Corporation and recorded in long-term debt	*12*	**150**	150

During the year, 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. The amount has been converted into Units as part of a Private Placement subsequent to year end (refer to note 23).

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

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

	2023	2022
Revenues:		
Revenues from a company controlled by a Director of the Corporation	**1,198**	172
Expenses:		
Expenses paid to a company controlled by a Director of the Corporation	**122**	-

19. Financial risks and fair value measurement:

a) Credit risk:

Credit risk refers to the risk that one party to a financial asset will cause a financial loss for the Corporation by failing to discharge an obligation. The Corporation's exposure to credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Corporation's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk related to its cash and cash equivalents is limited given that the Corporation deals with major North American financial institutions.

The Corporation provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses. Management believes credit risk related to its accounts receivable is limited because the Corporation deals with major North American clients that are well known in the pharmaceutical market. The Corporation continues to collect all of its receivables.

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

	2023	2022
Current	**1,792**	742
31 to 60 days past due	**615**	130
61 to 90 days past due	**32**	95
Over 91 days past due	**274**	62
	2,713	1,029
Loss allowance	**(42)**	(40)
Provision for rebates and discount	**(119)**	(24)
Balance, end of period	**2,552**	965

As at December 31, 2023, 60% (December 31, 2022 - 64%) of accounts receivable are concentrated with five clients (December 31, 2022 - three clients). For the year ended December 31, 2023, five clients represented 67% of total revenues (December 31, 2022 - five clients representing 76% of revenues). The Corporation does not require a guarantee.

b) Liquidity risk:

Liquidity risk refers to the Corporation's ability to meet its financial obligations when they come due. The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Corporation's bank and other lenders. The Corporation's policy is to ensure adequate funding is available from operations and other sources as required (refer to note 2 (b), "Going concern").

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

The following are the contractual maturities of financial obligations, including interest, under the lending agreements:

					As at December 31, 2023
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Accounts payable and other liabilities	**5,976**	**5,976**	**5,976**	**-**	**-**
Revolving credit facility	**670**	**670**	**670**	**-**	**-**
Notes payable	**3,096**	**3,408**	**3,408**	**-**	**-**
Long-term notes payable to related parties	**531**	**647**	**57**	**590**	**-**
Long-term debt, including current portion	**9,417**	**13,011**	**6,027**	**6,984**	
Lease liabilities, including current portion	**2,555**	**3,403**	**239**	**1,128**	**2,036**

The table above includes long-term debt with variable payments which have been assumed to be fully repaid only during fiscal year 2026. Repayment and cash flow could take place earlier than as indicated in the table.

					As at December 31, 2022 (Recasted - Note 14 (d))
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and other liabilities	6,118	6,118	6,118	-	-
Revolving credit facility	493	577	577	-	-
Other financial liabilities	1,042	1,214	1,214		
Notes payable	2,242	2,468	2,468	-	-
Long-term notes payable to related parties	100	150	10	140	-
Long-term debt, including current portion	9,321	10,691	1,895	8,796	-
Lease liabilities, including current portion	2,697	3,673	264	1,373	2,036

Capital management

The Corporation's capital is composed of shareholders' equity and long-term debt. The Corporation's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Corporation has relied on equity financing, and long-term debt. Refer to note 2 (b), "Going concern".

The Corporation is not subject to any capital requirements imposed by a regulator.

c) Interest rate risk:

A portion of the Corporation's long-term debt and its revolving credit facility (refer to note 12) bear interest at variable rates. As a result, the Corporation is exposed to interest rate risk due to fluctuations in the bank prime rate.

(i) Sensitivity analysis for interest rate risk:

An increase or decrease of 100 basis points in the interest rate would have an impact of $17 on the Corporation's consolidated net loss for the year ended December 31, 2023 (December 31, 2022 - $31).

d) Fair value measurement:

The Corporation has determined that the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolving credit facility, other financial liabilities, and advances payable to shareholders approximate their respective carrying amounts at the consolidated statements of financial position dates, due to the short-term maturity of those instruments.

The fair value of the First advance payable to Finaccès Capital inc. was determined using Level 3 inputs. The valuation technique used in determining the fair value of the First advance to Finaccès Capital inc. is the effective interest method, taking into consideration the probabilities of the occurrence of a liquidity event whose main inputs include effective interest rate and the probabilities of the occurrence of a liquidity event.

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

The movement in the First advance payable to Finaccès Capital inc. is as follows:

	Notes	**2023**	2022
Balance at beginning of year		**2,050**	-
Initial measurement		**-**	1,899
Changes in fair value	*15*	**50**	151
Repayment		**(2,100)**	
Balance at end of year		**-**	2,050

20. Basic and diluted loss per share:

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

	2023	2022
Net loss	**(8,472)**	(8,062)
Weighted average number of common shares	**80,352,033**	66,472,856
Basic and diluted loss per share	**(0.11)**	(0.12)

For the years ended December 31, 2023 and 2022, the diluted loss per share calculation did not take into consideration the potential dilutive effect of the warrants as they are anti-dilutive.

21. Additional cash flow information:

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

	2023	2022
Accounts receivable	**(1,408)**	209
Inventories	**(1,152)**	1,209
Prepaid expenses	**(198)**	(77)
Accounts payable and accrued liabilities	**(1,974)**	1,623
Deferred revenues	**(8)**	7
	(4,740)	2,971

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

The following table includes roll-forward of financial liabilities and its impacts on cash flows from financing activities:

							As at December 31, 2023
	Revolving credit facility	Other financial liabilities	Notes payable	Long-term notes payable to related parties	Long-term Debt	Lease liabilities	Total
Balance, beginning of year	493	1,042	2,242	100	9,321	2,697	15,895
Repayment of long-term debt	-	-	-	-	(2,525)	-	(2,525)
Issuance of long-term debt	-	-	-	-	3,288	-	3,288
Net increase from revolving credit facility	195	-	-	-	-	-	195
Net increase in long-term notes payable to related parties	-	-	-	431	-	-	431
Net increase in notes payable	-	-	854	-	-	-	854
Issuance costs	(25)	-	-	-	(501)	-	(526)
Net change in other financial liabilities	-	(1,058)	-	-	-	-	(1,058)
Payment of lease liabilities	-	-	-	-	-	(260)	(260)
Total changes from financing cash-flows	170	(1,058)	854	431	262	(260)	399
Other changes	-	-	-	-	(455)	-	(455)
Capitalized interests	-	-	-	-	-	34	34
Change in fair value of advance payable to Finaccès Capital Inc.	-	-	-	-	50	-	50
Interest expense	91	171	226	48	950	84	1,570
Interest paid[(i)]	(84)	(155)	(10)	(7)	(598)	-	(854)
Interest included in accounts payable and accruals	-	-	(216)	(41)	(113)	-	(370)
Total other changes	7	16	-	-	(166)	118	(25)
Balance, end of year	670	-	3,096	531	9,417	2,555	16,269

(i) Interest paid in the consolidated statement of cash flow includes other interest paid of $186 (refer to note 15).

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

	As at December 31, 2022 (Recasted - Note 14 (d))						
	Revolving credit facility	Other financial liabilities	Notes payable	Long-term notes payable to related parties	Long-term Debt	Lease liabilities	Total
Balance, beginning of year	-	1,457	-	-	9,870	2,873	14,200
Repayment of long-term debt	-	-	-	-	(823)	-	(823)
Issuance of long-term debt	-	-	-	-	863	-	863
Net increase from revolving credit facility	500	-	-	-	-	-	500
Net increase in long-term notes payable to related parties	-	-	-	100	-	-	100
Net increase in notes payable	-	-	2,497	-	-	-	2,497
Issuance costs	(16)	(49)	-	-	-	-	(65)
Net change in other financial liabilities	-	(697)	-	-	-	-	(697)
Payment of lease liabilities	-	-	-	-	-	(313)	(313)
Total changes from financing cash-flows	484	(746)	2,497	100	40	(313)	2,062
Non-cash debt settlements	-	736	(255)	-	(736)	-	(255)
Capitalized interests	-	-	-	-	-	100	100
Change in fair value of advance payable to Finaccès Capital Inc.	-	-	-	-	151	-	151
Gain on debt settlement	-	(437)	-	-	(220)	-	(657)
Interest expense	29	248	-	-	863	37	1,177
Interest paid	(20)	(216)	-	-	(647)	-	(883)
Total other changes	9	331	(255)	-	(589)	137	(367)
Balance, end of year	493	1,042	2,242	100	9,321	2,697	15,895

The following table includes items that had no impact on cash flows for the years ended:

	2023	2022
Investing activities		
Unpaid fixed assets additions included in accounts payable and accrued liabilities	**1,473**	616
Capitalized depreciation on right-of-use assets building	**171**	132
Capitalized interest expense on lease liabilities included in assets under constructions additions	**34**	100

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

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

The acquisition-date fair value of the consideration transferred by the accounting acquirer, LSL Laboratory Inc., for its interest in the accounting acquiree, Îledor, of $537 or 825,869 Class A common shares was determined based on the fair value of the equity interest that LSL Laboratory Inc. would have had to pay to the owners of Îledor (assuming a fair value per Class A common share post-consolidation of $0.65 based on the estimated value of the Class A common shares issued in the Private Placement, as detailed in note

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

4(g)), before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition. This is recorded as an increase in Class A common shares in the consolidated statement of financial position. As the fair value of Îledor's identifiable net liabilities assumed at the reverse acquisition date was ($553), the excess of consideration transferred over the net liabilities assumed of $1,090 is reflected in costs related to reverse takeover in the consolidated statements of loss and comprehensive loss.

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

	2023
Consideration transferred from Îledor in excess of net liabilites assumed	**1,090**
Professional fees	**1,330**
Exchange, listing fees and others	**130**
	2,550

23. Subsequent events:

(a) Promissory note

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. $271 of this amount was converted into the first tranche of the Private Placement described in note 23 (b).

(b) Private placement

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

Each Unit (the "2024 Units") to be issued pursuant to the Financing will be at a price of $0.40 per unit and will consist of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant (a "2024 Warrant"). Each 2024 Warrant will entitle the holder, subject to adjustments in certain cases, to purchase one (1) Class A common share at a price of $0.70 for a period of 36 months following the closing of the Financing.

On March 19, 2024, the Corporation announced the closing of the first tranche of $2,685 and issued 6,713,566 2024 Units at a price of $0.40 per unit. There were no finders' fees paid in connection with the first tranche. The cash consideration for the first tranche included the conversion of a $500 note payable to a company controlled by a key management personnel, and $200 of short-term notes payable.

On April 23, 2024, the Corporation announced the closing of the second tranche of $3,794 and issued 9,485,000 2024 Units at a price of $0.40 per unit. There were $30 of finders' fees paid in connection with the second tranche and 75,000 compensation warrants were issued at a price of $0.70 per unit with an 18-month term.

Concurrent to the first tranche that closed on March 19, 2024, the Corporation also settled certain debts outstanding representing $3,749 by issuing 9,373,327 2024 Units at a price of $0.40 per unit (the "Unit for Debt Financing"). The Unit for Debt Financing included conversion of 1) Accounts payable for $1,366; 2) Short-term notes payable for $1,745 plus $128 of accrued interest; and 3) Secured debenture for $500 (nominal amount) plus $10 of accrued interest.

The cash proceeds of the Financing will be used to further expand production capacity at each of the LSL Laboratories and Steri-Med Pharma plants and for general working capital purposes.

(c) Canadian Emergency Business Account (CEBA)

On January 2, 2024, the Corporation reimbursed the remaining balance of $40 to the Government of Canada.

(d) Secured debenture extension

On February 29, 2024, the Corporation signed an amendment with a Secured Debentures holder to extend the repayment date from March 9, 2024 to March 9, 2026 (the "extension period"), for $100 out of the remaining nominal amount of issued and outstanding

Secured Debentures (the "Extended Debentures"). The Extended Debentures bear interest at 9.5% for the extension period starting March 10, 2024. The weighted-average effective interest rate on the debentures remained unchanged at 11.90%.

(e) Debts repayment

Subsequent to year end, the Corporation repaid multiple notes payable totalling $250.

(f) Stock-options

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.

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 twelve-month periods ended December 31, 2023 and 2022**.** This document should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended on December 31, 2023, 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 April 29, 2024. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at www.sedar.com.

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 amortization 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 audited consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Corporation may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant 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 annual 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
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
Q1-22	First quarter FY-22
YE-23	Year-end 2023, December 31, 2023
YE-22	Year-end 2022, December 31, 2022
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

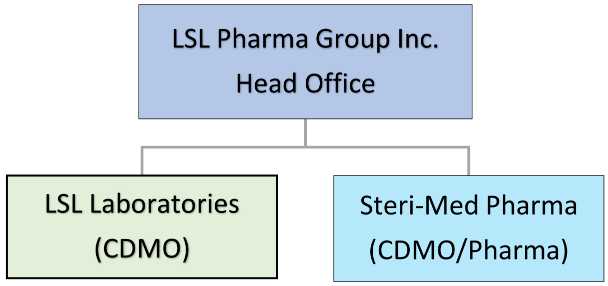
CDMO	Contract Drug Manufacturing Organization
FDA	United States Food and Drug Administration
Fera	Fera Pharmaceuticals, LLC
HC	Health Canada
HO	Head Office
Îledor	Corporation Exploration Îledor
LSL Labs	LSL Laboratories Inc.
RTO	Reverse takeover
Steri-Med	Steri-Med Pharma
TSXV	Toronto Stock Venture Exchange

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 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.

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 December 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+.

<u>Listing of Debentures on the TSXV</u>

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. At the time of this document, the Corporation has applied but had not yet received approval from the TSXV for the listing of the debentures. Management anticipates for the debentures to start trading on the TSXV during the second quarter of FY-24.

Corporate strategy and future development

LSL'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 also intends to take advantage of its unique manufacturing capabilities of sterile ophthalmic products by developing first to market ophthalmic generic products.

Organic growth

<u>For LSL Labs:</u>

- 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.

<u>For Steri-Med :</u>

- 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 to be added towards the end of 2024 which will boost capacity starting early 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.

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:

<u>Sterisporin</u>
(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

<u>Erythromycin</u>
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

Q4-23 Corporate Highlights

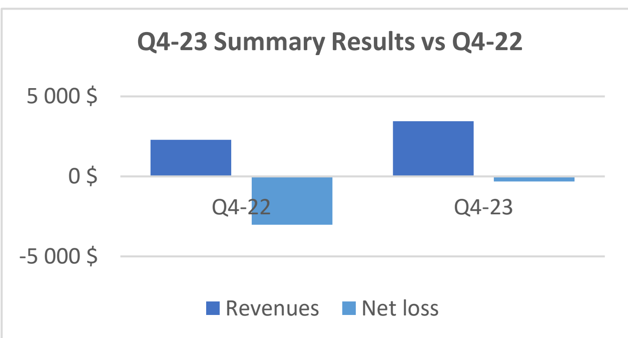
- **October 18, 2023** – The Corporation entered into an exclusive agreement with Fera Pharmaceuticals, to provide Erythromycin ophthalmic ointment USP (5mg/g) for the treatment of newborns in U.S. hospitals. The FDA granted Fera temporary discretion to import LSL Pharma`s one-gram ointment product for the prevention of gonococcal ophthalmia neonatorum.

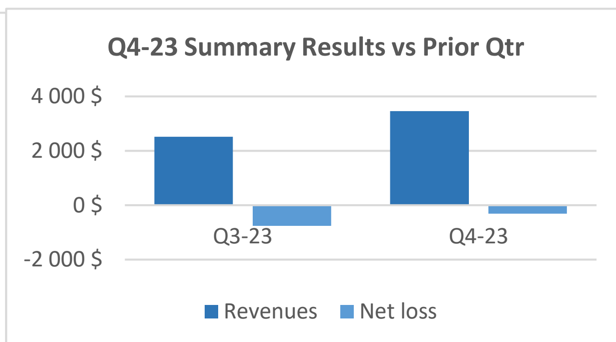
- **October 25, 2023** – The Corporation announced the signing of new orders representing $2.6 million of revenues for LSL Labs.

- **November 1st, 2023** – The Corporation secured gross proceeds of $2,293 representing the first tranche of an unsecured convertible debentures brokered private placement (the «Offering») through the issuance of 229,300 debenture at a price of $10 per Debenture. The net proceeds of the Offering will be used for working capital, capital expenditures, and for general corporate purposes. The Offering was led by iA Capital Markets. The Corporation has received conditional approval to list the Debentures on the TSXV after the expiry of a 4-month hold period. The Debentures are expected to trade under the symbol LSL.DB. Each Debenture will, at the option of the holder, be convertible in its entirety into Class A shares of the capital stock of the Company (the "Class A Shares") at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date, and (ii) the date fixed for redemption, at a conversion price of $0.70 per Class A Share (the "Conversion Price"), subject to adjustment in certain events. A second tranche representing gross proceeds of $995,000 closed on December 8, 2023

- **December 4, 2023** - The Corporation hired Luc Mainville as Executive Vice President and Chief Financial Officer. Mr. Mainville brings 30 years of experience in the capital markets and life sciences industry. He is recognized for his financial and operational leadership having been associated with several fast-growing companies.

Q4-24 Financial highlights





Graphs above show the Corporation`s summary financial performance between Q4-23 and Q4-22 as well as between Q4-23 and the prior quarter Q3-23.

- Revenues for Q4-23 have increased by 51% over Q4-22, and by 38% over Q3-23, while our Net loss has improved from a loss of $3.0 million in Q4-22, and $0.8 million in Q3-23 to a loss of $0.5 million in Q4-23, a respective 84% and 38% improvements.

Events Subsequent to YE-23

Subsequent to YE-23, 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"). Pursuant to the Financing, the Corporation has issued 16,086,893 units (the "Units") at a price of $0.40 per unit for aggregate gross proceeds of $6,434. 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 Common Share (a "Warrant Share") at a price of $0.70 for a period of 36 months following the closing of the Financing. Each issued Unit, Common Share, Warrant and Warrant Share will be subject to a four month hold period under the applicable securities laws. There were no finders' fees paid in connection with this private placement. The Financing includes $2,685 in cash proceeds, and the conversion of $3,749 of the Corporation's debts in Units. The cash proceeds of the Financing will be used to further expand production capacity at each of the LSL Laboratories and Steri-Med Pharma plants and for general working capital purposes.

The conversion of debt into Units has helped strengthen the Corporation's balance sheet by eliminating a total of $3.8 million of debts/liabilities, as described below:

- Account payable of $1.366 million;
- Secured debenture of $0.5 million (nominal amount), plus interest;
- Short-term note payable of $1.745 million, plus interest.

- **April 23, 2024** – LSL Pharma Group closed the second and final tranche of its private placement financing of Units for $3,794 representing the second closing of the upsized $7.5 million non-brokered private placement announced on April 11, 2024. 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 when combined with the previous closing. 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.
- **Subsequent to year end**, the Corporation repaid several debentures and notes payable totaling $290 in aggregate.

SELECTED FINANCIAL DATA

The following table sets forth financial information relating to the periods indicated and should be read in conjunction with the December 31, 2023, audited consolidated financial statements.

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

Financial statements of net loss			*Change*	
	FY-23	**FY-22**	*$*	*%*
Revenues	**10 028**	8 214	*1 814*	*22%*
Gross profit (loss)	**1 645**	(2 172)	*3 817*	*-176%*
Adjusted Gross Profit	**2 907**	3 405	*(498)*	*-15%*
Adjusted Gross Profit % to revenues	***29%***	*41%*	*-12%*	
EBITDA (loss)	**(5 537)**	(6 135)	*598*	*-10%*
Adjusted EBITDA	**(575)**	1 521	*(2 096)*	*-138%*
Net loss	**(8 472)**	(8 062)	*(410)*	*5%*

FY-23 Financial highlights

During the last quarter of FY-23, LSL Pharma has started to take advantage of its expanded LSL Labs capacity, following the relocation of its activities into an expanded manufacturing site. Also, the results show the impact of increased production by our Steri-Med plant and revenues derived from the sale to the US market of Erythromycin ophthalmic ointment due to a shortage of domestic manufacturing (See "*US Market/Fera Partnership*" above).

- **Revenues** have increased by 22% at $10.0 million in FY-23 compared to $8.2 million for FY-22. As mentioned before, revenues have been positively impacted by the sales of Erythromycin ophthalmic ointment in the US market as we took advantage of a product shortage and successfully secured (via our US partner – Fera) a temporary licence granted by the FDA to sell our Canadian labelled product to US hospitals. The licence has since been extended to June 30, 2024 and consequently our revenues for the first part of FY-24 will also be impacted by these non-recurring sales to the United States.

- **Gross margins** for FY-23 have increased by $3.8 million compared to FY-22 at $1.6 million compared to negative margins of $2.2 million. During FY-22 our margins were impacted by a plant shutdown at the Steri-Med plant as well as the plant relocation of LSL labs. While our margins have improved significantly vs the prior year, our LSL plant had had only reached its normal operating level at the end of FY-23. We expect LSL Labs to better contribute to the overall results in FY-24. Similar to our revenues, our gross margins have been positively impacted in the later part of the year with sales of our Erythromycin product into the US. Also, the margins have been impacted by the increased of the Steri-med plant production levels in the last months of the year with inventory levels showing a significant 39% increase over the prior year. (See Statement of Financial Conditions).

- **Adjusted Gross margins %** for FY-23 after eliminating the impact of depreciation, amortization, costs related to shut-down, plant upgrades and moving costs adjusted gross margins stood at 29%, down from 41% for FY-22. Our adjusted gross margins for FY-22 had been favorably impacted by a large adjustment for plant shut-down and relocation costs of $4.5 million compared to a nominal impact of $0.1 million in FY-23.

- **EBITDA** for FY-23, after eliminating the impact of financial expenses, depreciation and amortization EBITDA was a loss of $5.5 million for FY-23 compared to a loss of $6.1 million for the prior fiscal year, a 10% improvement. We believe that Adjusted EBITDA is a better indicator of our progress, due to large non-recurrent expenses which impacted both FY-22 and FY-23. (see below)

- **Adjusted EBITDA** for FY-23 was a $0.6 million loss compared to a gain of $1.5 million for FY-22. Again, the FY-22 were favorably impacted by the $4.5 million adjustment for plant shut-down and relocation costs compared to a nominal impact of $0.1 million in FY-23.

  <u>Adjusted EBITDA before taking into consideration the impact of plant shut-down and relocation</u> show a $0.8 million loss for FY-23 compared to $3 million loss in FY-22, a $2.1 million improvement.

- **Net loss** for the 2023 fiscal year of $8.5 million compared to a loss of $8.1 million for FY-22, a 5% increase.

See a reconciliation of the gross margin to adjusted gross margins, and EBITDA to adjusted EBITDA for FY-23 and FY-22 below:

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

ADJUSTED GROSS MARGIN reconciliation			*Change*	
	FY-23	FY-22	*$*	*%*
Revenues	**10 028**	8 214	*1 814*	*22%*
Gross profit (loss)	**1 645**	(2 172)	*3 817*	*-176%*
Gross profit % to revenues	***16,4%***	*-26,4%*	*43%*	
Adjustments				
Depreciation and amortization	**1 129**	1 047	*82*	*8%*
Costs related to shutdown, plant upgrades & moving costs	**133**	4 530	*(4 397)*	*-97%*
Adjusted Gross Profit	**2 907**	3 405	*(498)*	*-15%*
Adjusted Gross Profit % to revenues	***29,0%***	*41,5%*	*-12%*	

EBITDA(L) Reconciliation			*Change*	
	FY-23	FY-22	*$*	*%*
Net loss	**(8 472)**	(8 062)	*(410)*	*5%*
Finance expense, net	**1 806**	880	*926*	*105%*
Depreciation and amortization	**1 129**	1 047	*82*	*8%*
EBITDA (loss)	**(5 537)**	(6 135)	*598*	*-10%*
% of sales	***-55,2%***	*-74,7%*	*19%*	
Professional fees and other expenses related to the listing of the Company on TSX Venture and reverse takeover	**2 550**	2 161	*389*	*18%*
Costs related to shutdown, plant upgrades & moving costs	**133**	4 530	*(4 397)*	*-97%*
Recruitment costs and employee severances	**162**	295	*(133)*	*-45%*

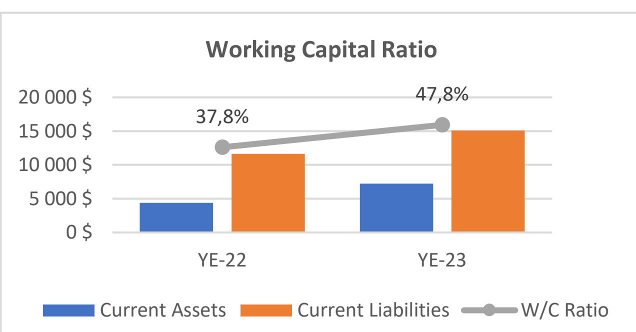
Research and development expenses	**-**	670	*(670)*	*-100%*
Stock-based compensation	**2 117**	-	*2 117*	*100%*
Adjusted EBITDA	**(575)**	1 521	*(2 096)*	*-138%*
% of sales	***-5,7%***	*18,5%*	*-24%*	

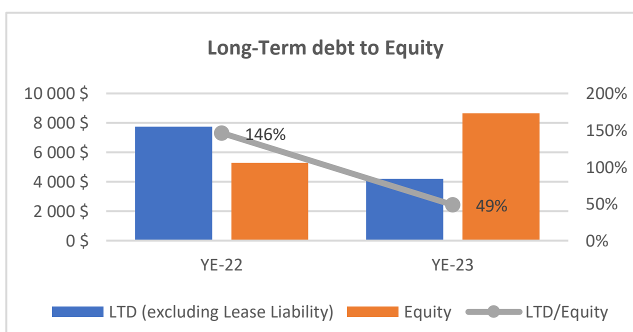
Consolidated Balance Sheet Highlights

			Change	
	FY-23	FY-22	*$*	*%*
Current assets	**7 204**	4 395	*2 809*	*64%*
Total assets	**30 900**	27 312	*3 588*	*13%*
Current liabilities	**15 074**	11 618	*3 456*	*30%*
Notes payable long-term	**531**	100	*431*	*100%*
Long-term debt excluding lease liabilities	**4 202**	7 742	*(3 540)*	*-46%*
Shareholders' equity	**8 655**	5 291	*3 364*	*64%*

Our Statement of financial position as at the end of FY-23 shows progress made during the last year to improve our financial situation.

- **Current assets** have increased by 65% during FY-23 compared to the prior year. The $2.9 million increase comes mainly from a $1.5 million increase in accounts receivable and $1.2 million increase in inventory. Both increases reflect the increase in operating and commercial activity in the later part of FY-23 compared to the prior year. The favorable increase between the two year-end periods also captures the benefits of the increased production and sales in the later part of FY-23 of our Erythromycin product for the US market. (See US market/Fera partnership)
- **Total Assets** have increased by 13% at YE-23 compared to YE-22 mainly as a result of the $2.9 million increase in short-term assets but also due to $0.8 million net increase in our long term assets, reflecting the continuous investments into our operating plant to take advantage of the LSL increased capacity following the move into a new 22,000 square feet plant during the year.
- **Current liability** has increased by $3.7 million during the year mainly due to the maturities of certain debts now being presented as current including $4.8 million of debentures maturing in June 2024. The transactions completed in the early part of FY-24 (See subsequent events) have contributed to help the Corporation address the implications of these maturities with a total of $4.1 million of debts and liabilities being converted into equity or repaid. Management has commenced discussions with holders of debentures maturing in Q2-24 and is taking measures to facilitate the repayment, conversion, extension of these debentures.
- **Long-term debt**. Despite the issuance of $3.3 million of debentures (nominal value) in the later part of FY-23, our long-term debt excluding lease liabilities has decreased by 46% or $3.5 million. The reduction in long term debt results mainly from $4.8 million of debentures now being presented as short-term.
- **Shareholders Equity** has improved during the year, despite our operating loss as a result of the $8.4 million financing completed in Q1-23 concurrent to the Corporation's RTO.



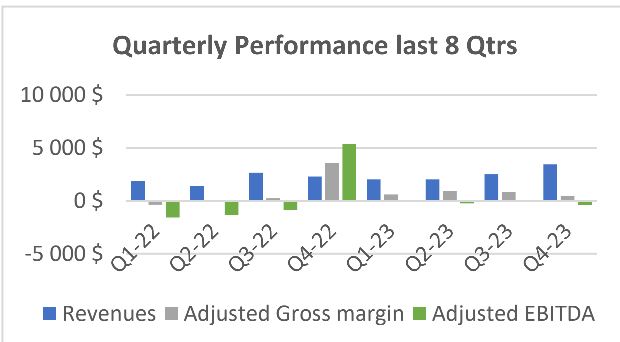


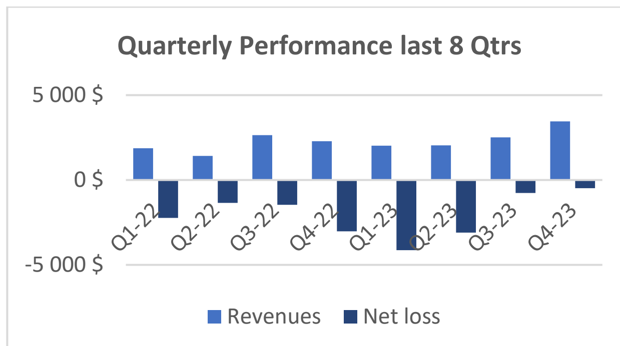
Since YE-22, the Corporation`s financial ratios have improved as a result of our better financial performance, and new equity secured as part of the RTO Private Placement. Over the coming year, LSL Pharma will continue focusing on improving its profitability, and improving its capital structure. Subsequent to our YE-23, the Corporation has been successful in completing a series of financings and transactions aimed at improving further its working capital and debt leverage. We look forward to reporting on our progress over the coming quarters.

SELECTED QUARTERLY PERFORMANCE

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

	Q4-23	Q3-23	Q2-23	Q1-23	**Q4-22**	Q3-22	Q2-22	Q1-22
Revenues	**3 458**	2 512	2 034	2 024	**2 290**	2 642	1 418	1 865
Gross margin (loss)	**99**	467	692	387	**(1 237)**	(13)	(332)	(645)
Adjusted gross margin (loss)	**476**	814	947	602	**3 591**	236	(48)	(364)
Adjusted gross margin %	*14%*	*32%*	*47%*	*30%*	*157%*	*9%*	*-3%*	*-20%*
Adjusted EBITDA (loss)	**(409)**	96	(260)	(3)	**5 393**	(865)	(1 364)	(1 583)
Net loss	**(476)**	(762)	(3 101)	(4 133)	**(3 016)**	(1 467)	(1 339)	(2 240)





- **Revenues**. The Corporation`s revenues have increased steadily over the last 4 quarters as LSL laboratories completed its relocation. 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-22 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 Laboratories, recertification of Steri-Med and supply challenges. We expect our gross margins to stabilize during the FY-24 as we take full advantage of our added capacity at LSL Laboratories and increased production levels at the Steri-Med plant.
- Adjusted EBITDA over the last 8 quarters has been trending toward profitability. Q4-22 Adjusted EBITDA was impacted by the reversal of plant shut-down and relocation costs of $4.5 million. 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 Q4-23 has improved by 59% over the prior quarter loss in Q3-23.

LIQUIDITIES AND CAPITAL RESOURCES

	FY-23	FY-22	Change $	Change %
Operating Activities				
Net loss from operations	**(8 472)**	(8 062)	*(410)*	*5%*
Impact of RTO	**1 090**	0	*1 090*	*100%*
Other Items not affecting cash	**5 052**	1 927	*3 125*	*162%*
Changes in non-cash working capital	**(5 356)**	2 970	*(8 326)*	*-280%*
Cash used in operations	**(7 686)**	(3 165)	*(4 521)*	*143%*
Investing activities				
Cash used by investing activities	**(401)**	(997)	*596*	*-60%*
Financing Activities				
Cash (used) provided by financing activities	**8 095**	3 421	*4 674*	*137%*
Increase (decrease) in cash	**8**	(741)	*749*	*-101%*
Cash, beginning of the year	**-**	741	*(741)*	*-100%*
Cash, end of the year	**8**	-	*8*	*100%*

- **Cash Used is operations** for the FY-23 period was $7.7 million compared to $3.2 million for FY-22, representing a $4.5 million increase. The increase is due to $2.8 million of investments in working capital assets to support the growth of our business as well as $1.1 million reduction in payables and short-term liabilities. Items not affecting cash such as share-based compensation of $2.1 million, and the $1.1 million consideration for acquiring Iledor as part of the RTO have also contributed to offset a $5.4 million negative change in non-cash working capital.
- **Investing activities** have used $0.4 million of cash during the year compared to $1.0 million during FY-22. The $0.4 million investment in FY-23 relates investments in intangible assets as Steri-Med is accelerating the development of a series of new ophthalmic ointment products to be launch over the coming years.
- **Financing activities** in FY-23 contributed net proceeds of $8.1 million from the issuance of $9.5 million of shares and warrants, $4.6 million from issuance/increase of other debts, notes, debentures, less issuance costs, interest paid, repayment of debts and net change in other financial liabilities.
- **Net cash increase** for FY-23 was $8 after netting the impact of operating, financing and investing activities, compared to $0.7 million net cash used during FY-22.

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:

	2023	2022
Key management salaries and benefits	**1,097**	1,065

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

	2023	2022
Assets:		
- Receivable from Îledor related to expenses paid by the Corporation on behalf of Îledor	**-**	192
- Receivable from a company controlled by a director of the Corporation included in accounts receivable and related to the sale of Steri-Med products	**964**	19

Liabilities:		
- Notes payable to key management personnel	**302**	292
- Notes payable to a company controlled by a key management personnel of the Corporation	**229**	-
- Amount of Convertible Debentures held by a key management personnel of the Corporation and recorded in long-term debt	**125**	-
- Amount of Secured Debentures held by a company controlled by a director - of the Corporation and recorded in long-term debt	**1,000**	1,000
- Amount of Secured Debentures held by a key management personnel of the Corporation and recorded in long-term debt	**150**	150

During the year, 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. The amount has been converted into Units as part of a Private Placement subsequent to year end (refer to note 23).

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

	2023	2022
Revenues:		
Revenues from a company controlled by a Director of the Corporation	**1,198**	172
Expenses:		
Expenses paid to a company controlled by a Director of the Corporation	**122**	-

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 years ended December 31, 2023 and 2022, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at December 31, 2023. 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-23 Audited consolidated financial statements, for information in relation to the recent private placement).

Our 2023 Audited 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 consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material.

Liquidities

			Change	
	YE-23	YE-22	*$*	*%*
Cash	**8**	-	*8*	*100%*
Accounts receivables	**2 682**	1 231	*1 451*	*118%*
Inventories	**4 109**	2 957	*1 152*	*39%*
Prepaid expenses and deposits	**405**	207	*198*	*96%*
Accounts payable and accrued liabilities	**5 976**	6 118	*(142)*	*-2%*
Short term financing and current portion of LTD	**9 098**	5 500	*3 598*	*65%*
Working capital	**(7 870)**	(7 223)	*(647)*	*9%*

During the second half of FY-23, the Corporation's operating cash flows have improved compared to the earlier part of FY-23 and FY-22. Subsequent to the issuance of $3.3 million of debentures in Q4-23, cash at the end of FY-23 was $ nil and the Corporation was borrowing $0.7 million under its $1.35 million operating line of credit.

Following YE-23, 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 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 Group anticipates reaching profitability in the early part of FY-24, and believes that improved operating cash flows, the financings completed early 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.*

Changes to accounting standards

The Corporation adopted the following amendments to accounting standards:

- Amendments to IAS 1, Presentation of financial statements (applicable for annual reporting beginning on or after January 1, 2023): Disclosure of accounting policies, to require entities to disclose material accounting policies information rather than significant accounting policies;
- Amendments to IAS 8, Accounting policies (applicable for annual reporting beginning on or after January 1, 2023): Changes in accounting estimates and errors, to clarify the definition of the terms "accounting policy" and "accounting estimate";
- Amendments to IAS 12, Income Taxes (applicable for annual reporting beginning on or after January 1, 2023): Deferred income taxes related to assets and liabilities arising from a single transaction, to restrict the scope of the exemption related to the recognition of deferred income taxes.

The adoption of these amendments to accounting policies had no material impact on the financial statements.

Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's latest Annual Information Circular on SEDAR+ at www.sedar.com