LSL PHARMA GROUP INC.

Financial Report

First quarter - Fiscal year 2026

ended on

March 31, 2026

LSL PHARMA GROUP INC.

Management's Discussion and Analysis

-

Fiscal quarter ended
March 31, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following document is Management's Discussion and Analysis ("MD&A") of the financial condition and operating results of LSL Pharma Group Inc. ("LSL Pharma" or the "Corporation") for the three-month periods ended March 31, 2026 and 2025 and should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the fiscal quarter ended on March 31, 2026, 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 the thousand, unless otherwise stated. This MD&A was prepared by management from information available as at May 22, 2026. Further information about LSL Pharma Group Inc., is available online on SEDAR+ at www.sedarplus.ca.

Non-IFRS Financial Measures

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

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

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

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

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

Use of Judgments and Estimates

The preparation of the unaudited condensed 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 judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 4 of the Corporation's 2025 audited consolidated financial statements.

Cautionary note regarding forward-looking statements

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

GLOSSARY TERMS

Calendar & Financial			
CAGR	Compounded Annual Growth Rate	Q4-24	Fourth quarter FY-24
COGS	Cost of Goods Sold (or Cost of Sales)	Q3-24	Third quarter FY-24
EBITDA	Earnings before Interest Tax Depreciation and Amortization	Q2-24	Second quarter FY-24
		QoQ	Quarter over quarter
(A)EBITDA	Adjusted EBITDA	SBC	Share-Based Compensation
FY	Fiscal year	SG&A	Sales, General and Administrative
GP	Gross Profit	YE	Year-end
LTD	Long-term debt	YTD	Year to date
Q1-26	First quarter FY-26	YoY	Year-over-year results, defined as Current FY results vs last FY results
Q4-25	Fourth quarter FY-25		
Q3-25	Third quarter FY-25	W/C	Working Capital, defined as short-term assets less short-term liabilities
Q2-25	Second quarter FY-25		
Q1-25	First quarter FY-25		

Corporate & Operations			
CMO	Contract Manufacturing Organization	LSL Labs	LSL Laboratory Inc.
Dermolab	Dermolab Pharma Ltd.	OTC	Over-the-counter (non-prescription drugs)
Du-Var	Laboratoire Du-Var Inc.	RTO	Reverse takeover
FDA	United States Food and Drug Administration	SKU	Stock Keeping Unit
Fera	Fera Pharmaceuticals, LLC	Steri-Med	Steri-Med Pharma Inc.
HC	Health Canada	TSXV	Toronto Venture Stock Exchange
HO	Head Office	VSI	Virage Santé Inc.
Juno OTC	Juno OTC inc., our private label subsidiary		

SEGMENT REPORTING

LSL Pharma is an integrated Canadian pharmaceutical company. As of the date of this document, the Corporation has three reportable segments. This reflects our management structure and the way key strategic, operating, and commercial decisions are made.

1) <u>Business segment #1 - CMO activities</u>

LSL Pharma's first reportable segment represents its contract manufacturing operations ("CMO") which currently includes four operating entities, namely:

a. LSL Laboratory, manufacturer of natural health products in solid dosage forms, mainly for third-party pharmaceutical clients, as well as a wide list of private labelled products;
b. Dermolab, which manufactures liquid and semi-solid pharmaceutical, natural health and cosmetic products;

c. Du-Var, acquired on November 17, 2025, which manufactures liquid and semi-solid natural health and cosmetic products; and
d. VSI which manufactures a range of natural products in liquid, powder, as well as in capsule forms, some of which are sold under its own brands or as private labels.

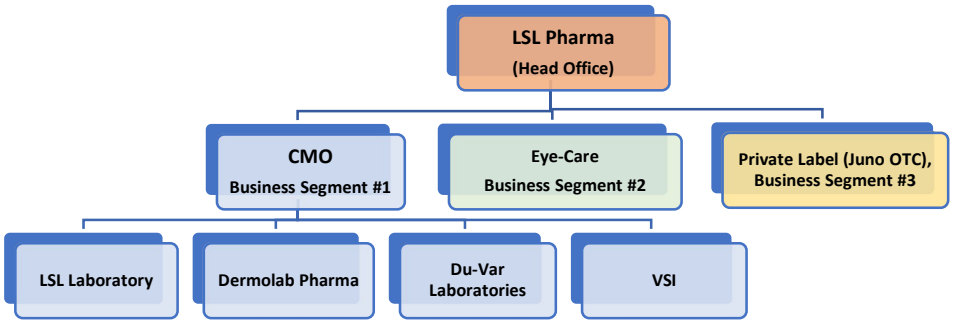
2) Business segment #2 – Integrated Eye-care pharmaceutical company

The Corporation's second business segment includes the operations of Steri-Med, our sterile Eye-care manufacturing operation. Steri-Med specializes in the in-licensing and development/manufacturing and commercialization of high-quality sterile ophthalmic pharmaceuticals for the Canadian, US and foreign markets.

3) Business segment #3 – Private Label Business

The Corporation's third business segment includes Juno OTC, acquired on January 1, 2026. Juno OTC commercializes pharmaceutical and natural health products with a focus on private label over the counter (OTC) products. Juno OTC is well established across all major Canadian retail pharmacies and currently commercializes over 40 OTC products across various indications.

Corporate Structure



HO functions are supporting the operating entities of our three (3) business segments, by providing services such as finance, accounting, HR, supply chain management, legal, IT, regulatory, quality assurance oversight, pharmaco-vigilance etc. HO also handles other corporate activities such as investors relation, communication, marketing, banner and wholesaler management. Going forward, the Corporation intends to scale up its CMO activities and generate economies of scale by increasing the leverage of HO services and by incorporating other operating/manufacturing sites. As of the date of this document, the Corporation has 252 employees, including 22 occupying HO functions.

Corporate strategy and future development

We are pursuing a two-pronged growth strategy. **FIRSTLY,** we are expanding our CMO activities by adding capacity and complementary services to better support our expanding customer base. We intend to achieve this organically or through acquisitions. **SECONDLY**, we are developing a growing and highly profitable eye-care product portfolio. To achieve this objective, we are developing proprietary high-margin products as well as acquiring commercial rights of differentiated products for the Canadian. By diversifying our product pipeline and securing rights to innovative products we are strengthening relationships with Canadian retail banners to maximize our commercial performance. In addition, the recent acquisition of our private-label subsidiary, Juno OTC, significantly expands our commercial reach with major Canadian retailers and enhances our ability to develop and distribute consumer healthcare products across multiple categories

- Steri-Med takes advantage of its unique sterile manufacturing capabilities for developing and commercializing ophthalmic products. One of Steri-Med's greatest opportunity is to establish itself as a leader in the development, manufacturing and commercialization of "*first-to-market"* ophthalmic generic products for the Canadian, US and foreign markets.
- Juno OTC's strong presence across all major Canadian retail pharmacies will play an important role in facilitating and accelerating the commercialization of LSL Pharma's other products to be launched over the coming years, including its eye-drops and first to market generic ointments, from the Eye-care business segment.

SEGMENT 1 - CMO OPERATIONS

LSL Laboratory

Established in La Pocatière, Quebec in 1997, LSL Laboratory relocated its activities into a 22,000 sq. ft. plant during FY-23. Growth over the coming years will be achieved by taking advantage of the additional capacity (3 times larger than the prior site), and expanded capabilities, by growing its private label activities and by leveraging relationships with existing/new customers.

VSI

Effective June 1, 2024, the Corporation acquired 100% of the controlling interest of VSI. VSI operates an 8,250 sq.ft. plant in Levis, Quebec and manufactures a range of natural products in liquid, powder, sachets, as well as in capsule forms for its clients or sold under its own brand or private labels. LSL Pharma acquired VSI for $2,369. The excess of the fair value of net assets acquired over consideration paid resulted in a recognition of $157 of Goodwill.

Dermolab

Effective December 1, 2024, LSL Pharma expanded its CMO activities by acquiring Dermolab, a CMO based in Ste-Julie, Québec (located 15 km from the LSL Pharma Head Office). Founded in 1985, Dermolab is a leading manufacturer of liquid and semi-solid products for the pharmaceutical and cosmetic markets. The total consideration for the transaction was $4.15 million. LSL Pharma realized a gain of $4,864 on acquiring Dermolab.

Du-Var

Effective November 17, 2025, LSL Pharma acquired Laboratoire Du-Var, a CMO based in Boucherville, Québec (located 5 km from the Corporation's Head Office). Founded in 1947, Du-Var manufactures liquid and semi-solid products for the natural health and cosmetic market. Du-Var is very complementary to Dermolab. Both companies are located 10 km apart, serve the same market, and offer similar manufacturing services. By combining their manufacturing and R&D expertise, we intend to optimize their respective operations and deliver significant operational and financial synergies. The total consideration for the transaction included (i) assuming Du-Var's operating line of credit, term loan and capital leases totaling $2.7 million, (ii) nil cash payment, nor post-closing adjustment. The operating line has since been repaid.

We realized a gain of $2.4 million on the Du-Var acquisition which added over $15M of manufacturing capacity to the CMO segment. The integration of Du-Var is currently well underway and already providing synergies and benefits to the Group.

M&A Criteria for expanding the CMO activities

LSL Pharma is looking to expand its CMO activities with the addition of companies whose profile matches its vision and growth strategy.

Some of the criteria to be used for evaluating business opportunities ("targets") are:

1) *Financially accretive* – The Corporation is looking for targets that can immediately contribute to its profitability;
2) *Provide scale and synergies* – Targets must add scale and offer opportunities 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 CMO footprint mainly serves clients located in the province of Québec. Expanding our footprint outside of Quebec would offer opportunities to broaden our client base.

SEGMENT 2 - EYE-CARE SEGMENT- STERI-MED Pharma

Steri-Med intends to position itself as a leader in the development and commercialization of ophthalmic products. It intends to accomplish this goal by leveraging its unique sterile manufacturing capabilities. The Corporation is focussing on expanding and leveraging its capacity for the development and manufacturing of ophthalmic ointment products. Over-time it intends to invest into eye-drops manufacturing capabilities. Until "eye-drop" manufacturing is available at the Steri-Med plant, the Corporation intends to in-licence eye-drop products for commercialization in Canada.

Sterile Ophthalmic Ointment Manufacturing Operations - Steri-Med Pharma

Our growth strategy at Steri-Med relies on 3 main aspects

A. ***Regulatory Compliance*** *to maximize the total addressable market ("TAM")*
B. ***Production Capacity*** *to capture market opportunities*
C. *Develop "first to market" generic* ***Products*** *targeting existing "off patent" branded markets*

Regulatory Compliance

One of the most important value drivers for the Eye-Care segment is the compliance of the Steri-Med site for sterile ointment manufacturing. Compliance to local regulatory standards is a requirement for commercializing products in each territorial jurisdiction. Manufacturing plants must adhere to strict guidelines outlined by Health Canada, a Standing Regulatory Member of the International Council for Harmonization ("ICH") for ensuring the efficacy and safety of aseptic processes in sterile pharmaceutical facilities. Aseptic processing is critical in pharmaceutical sterile manufacturing to prevent contamination and ensure product sterility. Health Canada and ICH provide a comprehensive framework for the validation of aseptic processes, encompassing facility design, equipment qualification, process validation, and ongoing monitoring. Aseptic validation is a systematic process that ensures sterile products are consistently manufactured under controlled conditions.

Since 2019, Steri-Med holds a manufacturing licence from Health Canada, and has recently been inspected by the FDA to manufacture sterile ointments for the US market. (See "Product pipeline - Avaclyr" below)

Health Canada certification allows for commercialization in Canada. Canada has established a Mutual Recognition Agreements (MRAs) with several foreign countries such as European countries, covering drug/medicinal products Good Manufacturing Practices (GMP) Compliance Programs. Consequently, Health Canada and its MRA partners mutually recognize each other's regulation and inspection records. As a consequence of the MRAs, products manufactured by Steri-Med can be registered and sold to several foreign territories without further inspection. Due to the scarcity of high quality sterile ophthalmic ointment manufacturers worldwide, international demand for our products has been increasing.

Over the recent years, regulatory guidelines for sterile manufacturing have become increasingly stringent, and regulators have increased requirements prior to granting "compliance" status. Many manufacturing sites in Canada, the US, and other countries have ceased to operate, due to their inability to meet or adapt to these increasing standards.

During the last quarter of FY-25, Steri-Med underwent its biennial Health Canada inspection and was required to implement enhanced operational and administrative procedures to maintain and further strengthen its compliance status.

During Q1-26, while the site was allowed to continue non-filling activities, it had to postpone filling activities for a 3-month period (Jan to March 2026) in order to develop the corrective and preventive action plan requested by HC (the "Plan"). Because of this regulatory request, no filling activity took place at the Steri-Med plant during Q1-26 and the financial impact of such production halt has been addressed in our Q1-26 financial reporting section. The latter production halt had no impact on sales activity and revenues as our inventory levels for each commercial products were increased in anticipation of the Health Canada inspection.

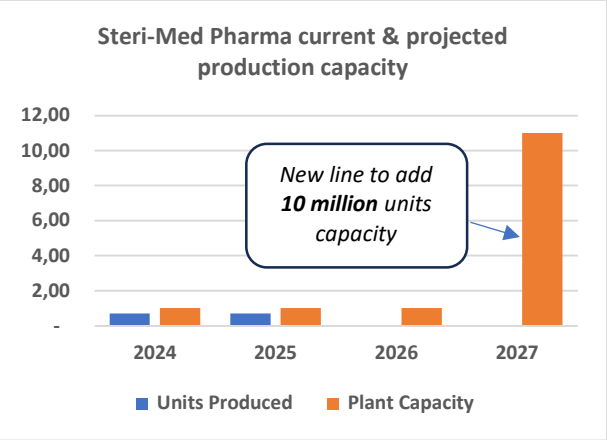
As of April 2, 2026, the Plan submitted by Steri-Med was accepted by Health Canada and full production resumed at that time. The site can continue all manufacturing activities in parallel with the Plan being executed over the coming quarters. Implementation of this Plan is well advanced, and the Corporation does not anticipate any issues in completing the Plan within the agreed timelines.

Steri-Med's ability to renew its HC license and to secure FDA compliance is a great asset for the Corporation as more and more companies are turning to LSL Pharma for their manufacturing requirements. With sterile ointment CMO alternatives becoming more and more scarce, and with barriers to enter the market increasing, the Corporation is well positioned to capitalize on global market opportunities.

Production Capacity – Capturing the market opportunity

Historically, our production capacity has restricted our ability to sell our products outside Canada and also impacted the manufacturing cost per unit – since the manufacturing plant's operating costs could only be amortized over a limited number of production units.

During FY-25 Steri-Med acquired a new US$1.7 million sterile ointment manufacturing line which is currently being commissioned and expected to be operational early FY-27. Once fully operational, production capacity will increase 10-fold, thus providing more flexibility to accelerate the development and manufacture of new products for local and international markets and enabling us to bid on large international contracts.



The graph above presents the current and projected production capacity (in standard units) assuming the 2nd line is commissioned early 2027, providing significant extra capacity to address the production requirements for our current pipeline, as well as new products under development. The excess capacity will be made available for 3rd party manufacturing ("CMO") or to meet international tenders.

Product Pipeline

As mentioned above, one of the 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 over time, intends to apply for marketing rights for its current and new products in the US and abroad, directly or with commercial partners.

Our commercial pipeline is described below:

Sterisporin *(Polymyxin B sulfate - bacitracin zinc)*, 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 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	$5 million[1]

1. IQVIA Data - 2025

Erythromycin. Treats bacterial infections of the eyes, including treatment to the newborns.

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, Manitoba, BC, and NB. Covered by most insurance companies.
Market environment	3 players in Canada – the Corporation enjoys a 30-40% market share
Market Size	Canada - $8.6 Million[1]
US Market and other countries	Canadian products are accepted in other jurisdictions, including USA when shortages occur. During the second half of FY-23, and early 2024, We supplied 500,000+ units to the US market. The Corporation is also suppling products to foreign clients which are representing a growing % of its revenues.

1. IQVIA Data - 2025

US Commercialization / FDA accreditation

In January 2026, Steri-Med secured 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. Increased production will serve to support new Steri-Med products (to be developed and commercialized by Steri-Med directly or with partners), as well as the production under contract of our clients/partners' drugs.

Avaclyr (acyclovir ophthalmic ointment)

In December 2025, The US FDA granted Fera Pharmaceuticals marketing approval for Avaclyr. Avaclyr is indicated for the treatment of acute herpetic keratitis (dendritic ulcers) with Steri-Med as its GMP manufacturing site. Steri-Med will manufacture Avaclyr under contract. The US approval for Avaclyr designates Steri-Med as a compliant site for manufacturing other products for US commercialization. The certification follows a successful FDA inspection of Steri-Med's facility, confirming full compliance with current Good Manufacturing Practices (cGMP). The Corporation believes this regulatory milestone represents a significant value creation event for the Corporation as it significantly strengthens its competitive positioning, enhances future revenue diversification, and establishes a clear pathway for sustainable growth and long-term value creation for shareholders.

Following the US approval for Avaclyr, discussions are accelerating with other potential partners regarding the co-development/commercialization of other products currently under development for the US market. By securing access to the US market for first-to-market generic ointments, the total addressable market ("TAM") opportunity for Steri-Med's products pipeline is now estimated at $1.5 billion. (Source: IQVIA 2025)

Development pipeline

In order to leverage its expanding capacity as well as the US approval of its manufacturing site, Steri-Med is now accelerating the development of *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 :
    - lower development costs and regulatory risk;
    - shorter development timelines vs innovative drugs (less than 5 years from project start 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 shorter time to peak sales.

The development pipeline is presented below with the next development milestones and timelines for completion. 3 new projects have been added over the last quarter for planned commercialization in both Canada and USA, with regulatory filings expected to take place during FY-27.

R&D Pipeline

			Status / Timelines for Completion			
Products / Projects	**Type**	**Market**	**Development / R&D**	**Regulatory Filing**	**Approval**	**Market**
Avaclyr - FERA Pharma	(CMO) Ointment - Rx	USA				H1-2027
SMM-810	Ointment - OTC	Canada / USA				H2-2026
SMS-0200	Ointment - OTC	Canada / USA			H1-2027	
SMA-0300	Medical device	Canada		H2-2026		
SMT-0400	Ointment - Rx	Canada / USA		H1-2027		
SMT-0450	Ointment - Rx	Canada / USA		H2-2027		
SMM-0420	Ointment - Rx	Canada / USA		H2-2027	*NEW - Development started in Q1-26*	
SMG-0500	Ointment - Rx	Canada / USA		H2-2027	*NEW - Development started in Q1-26*	
SML-0100	Ointment - Rx	Canada / USA		H2-2027	*NEW - Development started in Q1-26*	

Aggregate market size for the products under development are estimated in excess of $250 Million (IQVIA Data). Assuming the successful development and regulatory approval of its product pipeline, revenues from the sales of these products will have a material impact on the Corporation's revenues going forward.

In-Licensing and commercialization of Eye-drop products.

During 2025, the Corporation announced the signing of two agreements to market up to 16 sterile eye drops for the prescription market in Canada. These products will significantly enhance the Eye-care portfolio of Steri-Med Pharma. The commercialization of these new products remains subject to satisfactory due diligence by the Corporation and to regulatory approvals. **To date, Health Canada has already granted marketing approval for 6 products (7 SKU's)**. Other regulatory filings will take place over the coming 12 months, with approval to follow. These initiatives fit with Steri-Med's overall strategy to establish itself as a Canadian leader in the manufacturing and commercialization of sterile ophthalmic products.

The table below presents the expected approval and launch date for the current portfolio of eye-drops under license. Note that 2 products have been filed with Health Canada during the Q1-26.

In-Licensing Pipeline

			Status / Timelines for Completion				
Products	**Type**	**Market**	**Agreement signed**	**Due diligence**	**Filling**	**Approval**	**Market**
Latanoprost	Eye drop - Rx	Canada	*** APPROVED				H2-2026
Latanoprost + Timolol	Eye drop - Rx	Canada	*** APPROVED				H2-2026
Dorzolamide	Eye drop - Rx	Canada	*** APPROVED				H1-2026
Dorzolamide + Timolol	Eye drop - Rx	Canada	*** APPROVED				H1-2026
Brimonidine 5 mL 0,2%	Eye drop - Rx	Canada	*** APPROVED				H1-2026
Brimonidine 10 mL - 0,2%	Eye drop - Rx	Canada	*** APPROVED				H1-2026
Olopatadine 0.1%	Eye drop - Rx	Canada	*** APPROVED				H2-2026
SHS - B505	Eye drop - Rx	Canada			H2-2026		H2-2027
SHS - B510	Eye drop - Rx	Canada			H2-2026		H2-2027
SHS - B515	Gel - Rx	Canada			H2-2026		H2-2027
SHS - B600	Eye drop - Rx	Canada				H2-2026	H1-2027
SHO - B701	Eye drop - Rx	Canada				H1-2027	H1-2027
SHO - B702	Eye drop - Rx	Canada				H1-2027	H2-2027
SHCD - B800	Ear drop - Rx	Canada			H2-2026		H2-2027
SHL - B905	Eye drop - Rx	Canada			H2-2026		H1-2028
SHLT - B910	Eye drop - Rx	Canada			H2-2026		H1-2028

Together, these products target aggregate market size of more than $160 million in Canada, according to IQVIA Canada. Four of the new products would be exclusive to LSL Pharma for the Canadian market and currently have no generic equivalent on the market. The commercialization of new products remains subject to satisfactory due diligence by the Corporation and to HC approval.

SEGMENT 3 – PRIVATE LABEL – Juno OTC Inc. (*acquired on January 1, 2026*)

Juno OTC is a leading supplier in the Canadian private label consumer healthcare OTC market providing key Canadian retailers with core product offerings under the retailers' own recognized private label brands and strategic new opportunities to build the mutual business. With a strong legacy in this market, Juno OTC is recognized for providing the highest quality products along with a track record of partnership with these Canadian retailers to build their overall presence and success in consumer healthcare. Juno OTC has all required Health Canada licenses for importing and distributing these products along with tremendous expertise in all areas of Regulatory and Quality Assurance that is required for the Canadian market. Juno OTC adds a pipeline of innovative products to LSL Pharma, including over 40 Health Canada approved OTC drugs, natural health products and medical devices to the LSL Pharma business. With 10 new products expected to be launched over the next 12 months, Juno OTC is rapidly increasing its presence in the pharmaceutical OTC market in Canada. Through this acquisition, LSL Pharma becomes a key supplier to ALL Canadian pharmacy banners, and its revenues will immediately benefit from the existing Juno OTC business. The integration of Juno OTC will enable the Corporation to expand its customer base by adding all leading pharmacy, grocery, mass market, and discount retailers participating in the growing Canadian Consumer Healthcare market. Juno OTC also provides expanded access to new contract manufacturers across a global network of key suppliers offering strategic and innovative product opportunities. We expect Juno OTC to increase LSL Pharma's revenues by approximately $20M in 2026.

Key product categories for Juno OTC include: antacid, laxatives, allergy, nicotine gum, pain relief, denture, diarrhea, eye drops, probiotics, feminine and personal Hygiene, cold/cough & flu, and epsom salts.

The geographic distribution of Juno OTC's revenues for the last completed fiscal year, compared to Steri-Med is presented on the right. The table demonstrates the commercial synergies between the 2 organization and the rationale for LSL Pharma acquiring the Juno platform in anticipation of new pan-Canadian product launches.

	Juno OTC	*Steri-Med*
BC	*5,8%*	*7,2%*
Prairies	*23,9%*	*11,2%*
Ontario	*40,6%*	*21,0%*
Qc	*23,4%*	*54,3%*
Maritimes & others	*6,2%*	*6,3%*

Q1-26 Corporate Highlights

- **On January 1, 2026**, LSL Pharma Group completed the acquisition of Juno OTC Inc., for a total purchase price of $5 million, paid as follows:
  i. $2.5 million in cash,
  ii. 5,509,642 Class "A" common shares of the Corporation issued to Juno Pharmaceuticals and representing a $2 million consideration, and
  iii. $0.5 million balance of sale payable on January 1, 2027 subject to adjustments to reflect variations in working capital, if any.

  Note that Juno Pharmaceuticals LLC, the seller, in addition to receiving shares of LSL Pharma as part of the Juno OTC transaction, contributed $1.5 million cash in the $12 million convertible debenture offering closed on December 23, 2025.

- **On January 28, 2026,** the Corporation announced that the US-FDA granted Fera Pharmaceuticals LLC. a marketing approval for the commercialization of Avaclyr, an ophthalmic product manufactured by Steri-Med. This triggered the certification of Steri-Med to manufacture ophthalmic ointment for the US market. The certification of the Steri-Med manufacturing facility will enable LSL Pharma to manufacture and potentially commercialize additional ophthalmic ointment products for the large and lucrative U.S. market.

- **On February 3, 2026**, the Corporation granted an aggregate of 960,000 stock options to its non-executive directors and to certain executives and employees, as part of their compensation. The Options have an exercise price of $0.52 per share and are exercisable for a period of ten (10) years from the date of grant. Options granted to non-executive directors' vest immediately as of the date of grant while options to executives and employees vest over 3 years. The Options were granted in accordance with the Corporation's Stock Option Plan.

- **During the month of February 2026**, the Corporation reached an agreement with Caisse Populaire Desjardins des Patriotes to increase its operating line of credit from $7.5 million to $11 million, by leveraging the assets of the recent Du-Var acquisition. Concurrent to the increase of the operating line of credit, the Corporation repaid the totality of Du-Var's $1.2 million line of credit with Royal Bank of Canada ("RBC") in April 2026. Net of the RBC repayment, the increase in the line of credit, provides LSL Pharma, $2.3 million of additional short term borrowing capacity to support its growth.

Subsequent Events to Q1-26

- **On April 9, 2026** LSL Pharma announced the signing of a binding term sheet with Instapill Private Limited ("Instapill") for the Canadian rights to private label Loratadine 10 mg Orally Disintegrating Tablets (ODT), a bioequivalent product to Claritin® Rapid Dissolve™ to Canadian retailers. The product is bioequivalent to Claritin RDT and positions LSL Pharma in the large, over the counter (OTC) allergy category. The Canadian OTC allergy category is estimated at $60 million and growing at 8% per year. This agreement builds on the momentum generated by Juno OTC's initial collaboration with Instapill for Loperamide 2 mg RDT, equivalent to Imodium RDT, which is now widely distributed under private label across major Canadian retailers and delivering robust commercial performance.

SELECTED FINANCIAL DATA

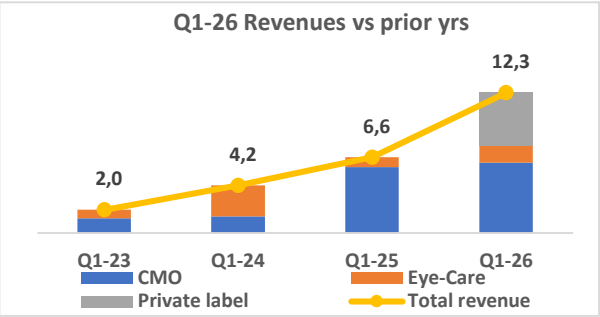
Selected financial data for the recent fiscal quarter are presented below, with revenues presented in three separate operating segments. The first reportable segment includes revenues from CMO operations. The second reportable segment includes revenues from the sale of Eye-care products. Eye-care product sales currently include ointments manufactured at our Steri-Med plant. Commercialization of eye-drops sourced from commercial partners under supply and license agreements are expected to commence during the second quarter of 2026. The third reporting segment presents Private Label revenues from our Juno OTC subsidiary.

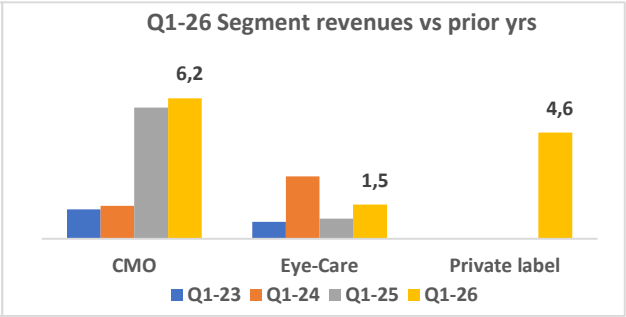
The following table and graphs present the financial information relating to the periods indicated and should be read in conjunction with our March 31, 2026, unaudited condensed consolidated financial statements. (See "Management's Responsibility for Financial Reporting" – "Non-IFRS Financial Measures")

Financial Statements of net (loss) income

			Change	
	Q1-26	**Q1-25**	*$*	*%*
Revenues				
CMO	**6 153**	5 748	*405*	*7%*
Eye-care	**1 500**	877	*623*	*71%*
Private Label	**4 647**	-	*4 647*	*100%*
Total Revenues	**12 300**	6 625	*5 675*	*86%*
Gross profit	**769**	2 106	*(1 337)*	*-63%*
Adjusted Gross Profit	**2 856**	2 426	*430*	*18%*
Adjusted Gross Profit % to revenues	***23,2%***	*36,6%*	*-13,4%*	*-37%*
Expenses				
SG&A	**2 590**	1 659	*931*	*56%*
SG&A as % of Revenues	**21,1%**	**25,0%**	*4%*	
Share-based Compensation	**14**	14	*-*	*0%*
Operating Profit (loss)	**(1 821)**	447	*(2 268)*	*-507%*
Financial Expenses	**982**	588	*394*	*67%*
Net Loss	**(2 817)**	(155)	*(2 662)*	*1717%*
EBITDA (loss)	**(1 019)**	904	*(1 923)*	*-213%*
Adjusted EBITDA	**503**	802	*(299)*	*-37%*

- The Corporation delivered record revenues in Q1-26 at $12.3 million, up 86% compared to Q1-25. The YoY increase results mainly from to the addition of Juno OTC acquired on January 1, 2026, and to a lesser extent from the addition of Laboratoire Du-Var acquired on November 17, 2025. CMO revenues increased by 7% at $6.2 million in Q1-26 compared to $5.7 million for Q1-25. The CMO revenues were down compared to Q4-25 due the production impact of respective year-end plant production slowdown. The Eye-care segment posted strong revenues at $1.5 million for Q1-26, up 71% compared to Q1-25 and driven by record domestic sales in Canada. Finally, the Juno OTC platform contributed $4.6 million compared to nil last year.





- **Adjusted Gross Profit** for Q1-26 after eliminating the impact of depreciation and amortization as well as special and non-recurrent adjustments, stood at $2.9 million, an 18% increase over Q1-25. Adjusted Gross Profit in Q1-26 was up mainly as a result of the addition of Juno OTC. Adjusted Gross Profit as a % of revenues decreased from 37% to 23% between the 2 periods, as a result of the change in revenue mix, since the Juno OTC private label revenues are typically providing lower margins and represented 38% of the Group's total revenues for the quarter.

  Our Gross Profit performance in Q1-26 was impacted by the production halt at the Steri-Med plant (See "Regulatory Compliance – Segment Reporting Section") as the site was addressing requirements for its re-certification with Health Canada. Operating costs are typically allocated to inventory as cost of manufacturing of units produced during the period. No production took place at Steri-Med between mid-December 2025 and early April 2026. We made a special adjustment to our Q1-26 Adjusted Gross Profit equivalent to the plant operating costs for Q1-26.

- **SG&A** expenses for Q1-26 were $2.6 million compared to $1.7 million in Q1-25, a 56% increase, mainly reflecting the impact of the addition of Du-Var and Juno OTC. We expect SG&A to reduce over time as we generate synergies from these acquisitions. Despite the relative increase in SG&A expenses, the ratio of SG&A expenses to revenues has improved from 25% to 21% between the 2 periods.

- **Operating (Loss) Profit.** LSL Pharma generated an operating loss of $1.8 million in Q1-26 compared to a $0.4 million operating profit in Q1-25. The Q1-26 performance was mainly impacted by the production halt at Steri-Med described above. (See "*Adjusted Gross Profit*" above)

- **Financial Expenses** for Q1-26 were 67% higher than Q1-25 at $1.0 million compared to $0.6 million. The $0.4 million increase in financial expenses between the periods was mainly due to the impact of the $12 million convertible debt offering closed in December 2025, used to fund operations and the Juno OTC acquisition, and representing $0.3 million for the quarter.

- **Net Loss** in Q1-26 was $2.8 million compared to $0.2 million in Q1-25. The net loss performance for Q1-26 resulted mainly from the increase in SG&A and the production halt at Steri-Med. Production at Steri-Med has resumed in April 2026, so we expect stronger quarterly performance for the Group going forward.

- **EBITDA** for Q1-26, after eliminating the impact of financial expenses, depreciation and amortization was a loss of $1.0 million, compared to a gain of $0.9 million in Q1-25. Same as for the net loss performance, the EBITDA results were impacted by the production halt at Steri-Med.

- **Adjusted (A) EBITDA.** After eliminating, share-based compensation, M&A restructuring charges, and the special/non-recurrent gross profit adjustments, LSL Pharma generated an (A) EBITDA profit of $0.5 million for Q1-26 compared to an (A) EBITDA profit of $0.8 million for Q1-25. The $0.3 million reduction in (A) EBITDA was due to slower CMO performance and incremental SG&A expenses.

We present below a reconciliation of the GP to Adjusted GP, and EBITDA to Adjusted EBITDA for Q1-26 compared to the prior year period:

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

ADJUSTED GROSS PROFIT RECONCILIATION

			Change	
	Q1-26	**Q1-25**	*$*	*%*
Revenues	**12 300**	6 625	*5 675*	*86%*
Gross profit	**769**	2 106	*(1 337)*	*-63%*
Gross profit % to revenues	***6,3%***	*31,8%*	*-25,5%*	
Adjustments (+/-)				
Depreciation and amortization	**732**	436	*296*	*68%*
Health Canada compliance shutdown	**1 355**			
reclass Q1-Q3FY25 related COGS	**-**	(116)	*116*	*-100%*
Total Adjustments	**1 355**	**(116)**	*1 471*	*-1268%*
Adjusted Gross Profit	**2 856**	**2 426**	*430*	*18%*
Adjusted Gross Profit % to revenues	***23,2%***	*36,6%*	*-13,4%*	

ADJUSTED EBITDA RECONCILIATION

			Change	
	Q1-26	**Q1-25**	*$*	*%*
Net income (loss)	**(2 817)**	(155)	*(2 662)*	*1717%*
Finance expense, net	**982**	588	*394*	*67%*
Depreciation and amortization	**816**	471	*345*	*73%*
EBITDA (loss)	**(1 019)**	**904**	*(1 923)*	*-213%*
% of sales	***-8,3%***	*13,6%*	*-21,9%*	
Adjustments (+/-)				
Non-Recurrent GM Adjust.(see above)	**1 355**	(116)	*1 471*	*-1268%*
Acquisition costs/M&A restructuring	**153**	-	*153*	*0%*
Stock-based compensation	**14**	14	*-*	*0%*
Adjusted EBITDA	**503**	**802**	*(299)*	*-37%*
% of sales	***4,1%***	*12,1%*	*-8,0%*	

SELECTED BALANCE SHEET HIGHLIGHTS

			Change	
As at the end of the period:	**Q1-26**	**YE-25**	*$*	*%*
Current assets	**26 274**	24 103	*2 171*	*9%*
Fixed Assets incl. LT deposits	**32 384**	32 765	*(381)*	*-1%*
Intangible Assets	**18 670**	17 473	*1 197*	*7%*
Total assets	**80 011**	74 741	*5 270*	*7%*
Operating loans	**7 508**	1 977	*5 531*	*280%*
Current liabilities	**19 727**	10 732	*8 995*	*84%*
Long-term debt excluding lease liabilities	**25 913**	26 236	*(323)*	*-1%*
Total Liabilities	**55 842**	47 769	*8 073*	*17%*
Shareholders' equity	**24 169**	26 972	*(2 803)*	*-10%*

- **Current assets** increased by 9% at Q1-26 compared to YE-25. The $2.2 million increase comes mainly from the $5.0 million increase in inventory, $1.2 million increase in accounts receivable less $4.5 million cash and share deposit for the Juno OTC transaction closed on January 1, 2026. Our inventory level at the end of Q1-26 reflects the addition of the Du-Var and Juno OTC inventory less the reduction in inventory at Steri-Med resulting from the Q1-26 production halt (*resumed in April 26*).
- **Total Assets** increased by $5.3 million at the end of Q1-26 compared to YE-25. The 7% increase includes respective additions of $2.2 million to current assets described above, $1.2 million and $2.3 million respective increases in intangibles and goodwill mainly because of the Juno OTC acquisition. Increase in intangibles also included the impact of continued investments in the development of our Eye-care product portfolio.
- **Operating loans** at the end of Q1-26 was $7.5 million, compared to $2.0 million at YE-25. During Q1-26, operating loans were used to support operations, including a $2.2 million investment in working capital, $0.8 million investment in capital assets/intangibles, as well as $1.2 million for debt servicing and lease liability obligations.
- **Current liabilities** at the end of Q1-26 were $19.7 million compared to $10.7 million at YE-25 representing an 84% increase. The increase comes from the $5.5 million increase in the revolving credit facility utilization, and a $2.7 million increase in account payable mainly due to the Juno OTC acquisition.
- **LT debt excluding lease liabilities** decreased by 1% during Q1-26 representing capital repayments as no new debt were added during the quarter.
- **Total liabilities** increased by 17% since the start of the FY-26. The $8.1 million increase reflects the increase in short-term liabilities discussed earlier less the reduction in LTD and LT lease liabilities for the quarter.
- **Shareholders Equity** decreased by $2.8 million during Q1-26 representing the P&L performance for the quarter.

SELECTED QUARTERLY PERFORMANCE

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

The following table sets out the Corporation's selected quarterly financial information. This information is derived from audited financial statements prepared by management in accordance with IFRS. The following quarterly information is presented on the same basis as our unaudited condensed consolidated financial statements and should be read in conjunction with those statements and their accompanying notes.

	Q1-26	Q4-25	Q3-25	Q2-25	**Q1-25**	Q4-24	Q3-24	Q2-24
Revenues								
CMO[1]	**6 153**	6 703	6 581	6 463	**5 748**	4 305	2 357	2 441
Eye-Care[2]	**1 500**	622	995	755	**877**	1 080	1 652	1 750
Private Label	**4 647**	-	-	-	**-**	-	-	-
Total Revenues	**12 300**	7 325	7 576	7 218	**6 625**	5 385	4 009	4 191
Gross (loss) profit	**769**	(1 395)	2 331	2 061	**2 106**	1 472	1 194	1 536
Adjusted Gross Profit [3, 4]	**2 856**	1 646	2 506	2 040	**2 310**	1 900	1 548	1 882
Adj.Gross Profit %	**23,2%**	*22.5%*	*35,6%*	*32,8%*	***36,6%***	*35.3%*	*38.6%*	*44.9%*
SG&A expenses	**2 590**	2 003	1 849	1 721	**1 659**	1 172	1 109	1 276
SG&A % of revenues	**21,1%**	27.3%	*24.4%*	*23.8%*	***25.0%***	*21.8%*	*27.7%*	*30.4%*
Share-Based Comp.	**14**	43	88	36	**14**	16	-	402
Operating (Loss) Profit	**(1 821)**	(3 398)	482	340	**447**	300	85	260
Financial Expenses	**982**	817	817	693	**588**	552	478	414
(Gain) Loss on debt settlement	**-**	(669)	757	-	**-**	-	-	-
(Gain) on acquisition	**-**	(2 428)	-	-	**-**	(4 817)	(7)	(40)
Net (Loss) Income	**(2 817)**	(1 096)	(1 180)	(389)	**(155)**	4 499	(386)	(516)
EBITDA (Loss) Profit	**(1 019)**	(84)	1 000	1 011	**904**	5 576	446	244
Adj. EBITDA (Loss) Profit [3, 4]	**503**	(48)	917	719	**802**	775	456	673

Note 1: CMO revenues in Q4-25 were adjusted for a $0.1 million provision on a receivable linked to products sold during FY-23.

Note 2: Eye-Care revenues for Q4-25 were impacted by a $0.4 million special provision on a profit-share receivable on sales generated during the US shortage of Erythromycin in FY-23/24.

Note 3: Adjusted Gross Profit and Adjusted EBITDA for fiscal quarters of FY-25 have been adjusted to reflect fiscal quarter-end adjustments.

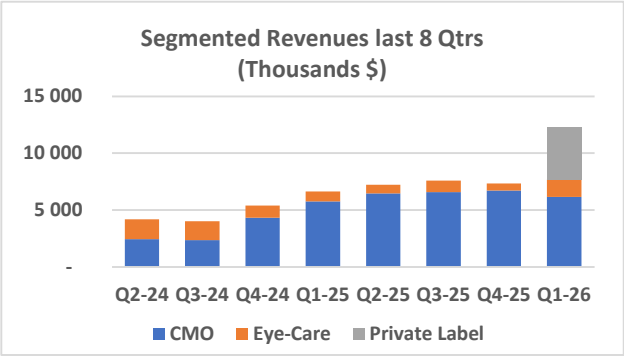
Note 4: Adjusted Gross Profit and Adjusted EBITDA for Q1-26 have been adjusted to reflect the impact of the production halt at Steri-Med (resumed in April 2026).

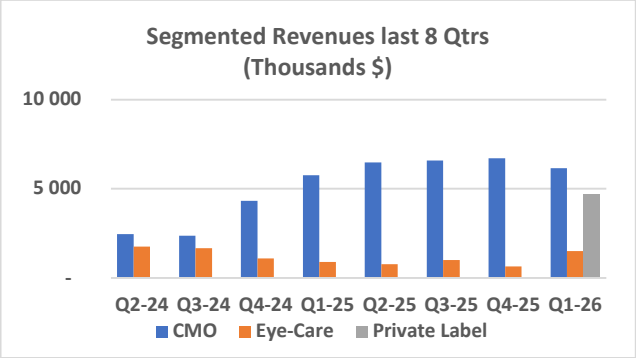
- **Revenues.** The Corporation's total revenues have trended upward over the last 8 quarters reflecting additional revenues and growth derived from the CMO acquisitions (VSI in Q2-24, Dermolab in Q4-24, and Du-Var in Q4-25) as well as the Juno OTC acquisition effective January 1, 2026. CMO revenues in Q1-26 declined slightly compared to prior quarters despite the addition of Laboratoire Du-Var. Revenues at LSL Laboratories, and Dermolab were lower than prior months due to timing of production and revenues mix. We anticipate stronger revenues at the sites in Q2-26 which will also be positively impacted by an increased contribution of Du-Var. The CMO is well positioned to continue its growth by leveraging the increased revenues capacity derived from the acquisitions as well as the investments made in prior years at LSL Laboratory.

  Revenues for the Eye-care segment in Q1-26 were strong and driven by market share gains in Canada for the Corporation's existing products. Q1-26 Eye-Care revenues were the highest since Q3-24 when the Corporation benefited from OOS situations impacting a direct competitor in Canada. Also, revenues in Q1-26 were not impacted by the production halt at Steri-Med, as inventory levels were increased in anticipation of the HC inspection. Eye-care revenues in Q4-25 were impacted by the special provisions for returns. Revenues for the Eye-care segment in Q3-24 and Q2-24 benefited from non-recurrent revenues due to an OOS situation in Canada with a direct competitor selling Erythromycin and shortage of erythromycin in the USA.

  Private Label revenues in Q1-26 represent the Juno OTC business which are presented as our 3rd business segment.

Below we present revenues by business segments for the last 8 quarters:





- **Gross Profit** in Q1-26 was impacted by the production halt at Steri-Med, while gross profit in Q4-25 has been impacted by YE-25 adjustments. Gross profit has fluctuated significantly over the last 8 quarters as the operating costs and products margins were influenced by the level and mix of revenues between our operating units.

- **Adjusted Gross Profit** in Q4-25 has been impacted by YE-25 adjustments. Gross profit has fluctuated over the last 8 quarters as the operating costs and products margins were influenced by the level and mix of revenues between our operating units including the recent addition of our Private Label segment in Q1-26.

- **SG&A** expenses in Q1-25 reflect the addition of Dermolab, acquired in December 1, 2024, while SG&A expenses in Q1-26 reflect the addition of Du-Var (acquired late Q4-25) and Juno OTC (acquired effective Q1-26). SG&A as a % of revenues has trended down and fluctuated as a result of the various acquisitions. The performance in Q1-26 shows a good use of our HO which provides corporate services to a growing number of operating entities.

- **Operating Profit (Loss).** The acquisitions of VSI and Dermolab in FY-24 have generated additional gross profit thus contributing directly to our operating results. The Q1-26 production halt at Steri-Med, and the YE-25 non-recurrent gross profit adjustments have impacted our operating performance. Operating loss in Q1-26 and Q4-25 were greater than expected due to the adjustments described in *the "Financial Statements analysis".*

- **Share-Based Compensation** in Q2-24 represented the costs for issuing options for new staff and board members. At that time, the Corporation's policy was recognizing the full impact of issuing options at the time of grant. The Corporation changed its policy starting Q2-24. The cost of issuing options is now reflected over a 3-year period.

- **Financial Expenses.** Financial expenses over the last 8 quarters have been trending up due to the issuance of new debt/loans. New debts and notes secured during these periods have been partly offset by debt repayments of more expensive financial instruments and conversion of loans into equity when possible. The $12 million convertible debt financing completed late in Q4-25 impacted our financial expenses in Q1-26. The 10% coupon on this debt is reasonable for such an instrument and kept low due to a favorable $0.45 conversion price. Financial expenses in Q3-25 included a $0.1 million penalty on redemption of the convertible debentures.

- **(Gain) Loss on settlement of debt**. During Q3-25, the Corporation incurred a non-cash $0.8 million loss on the repayment of convertible debentures. During Q4-25, the Corporation generated a non-cash gain when the interest rate on the long-term BDC loan was lowered by 1.5%.

- **Gain on Acquisition.** Or Q4-24 results included a gain of $4.8 million resulting from the Dermolab acquisition less a nominal adjustment for the VSI acquisition completed in Q2-24. During Q4-25, the Corporation realized a $2.4 million net gain on the Du-Var acquisition. So far, no gain has been recorded from the Juno OTC acquisition. The Corporation has 12-months following each acquisition to book the final impact of each transaction.

- **Net (loss) Income** The Corporation generated a $4.5 million net income in Q1-25 as a result of a non-recurrent gain on acquisition of Dermolab. Net loss for Q3-25 was impacted by the $0.9 million non-recurrent impact of the penalty and loss on settlement/redemption of the convertible debenture. Net loss in Q4-25 and Q1-26 have been impacted by the YE-25 adjustments as well as the production halt in Q1-26 at Steri-Med (since resumed).

- **(A) EBITDA**. Except for the the last 2 quarters, our Adjusted EBITDA performance has improved over the prior quarters and is reflective of the expansion of our CMO operations, and the increased production levels at all operating sites. Both Du-Var and Juno OTC are expected to start contributing positively to our results going forward.

LIQUIDITIES AND CAPITAL RESOURCES

			Change	
	Q1-26	**Q1-25**	*$*	*%*
Operating Activities				
Net loss from operations	**(2 817)**	(155)	*(2 662)*	*1717%*
Other items not affecting cash	**1 512**	1 073	*439*	*41%*
Changes in non-cash working capital	**(2 234)**	(1 401)	*(833)*	*59%*
Cash used by operations	**(3 539)**	(483)	*(3 056)*	*633%*
Investing Activities				
Acquisition/Deposits of PPE	**(246)**	(374)	*128*	*34%*
Intangibles	**(593)**	(262)	*(331)*	*126%*
Cash used by investing activities	**(839)**	(636)	*(203)*	*32%*
Financing Activities				
Cash provided by financing activities	**4 597**	1 000	*3 597*	*360%*
Increase (decrease) in cash	**219**	(119)	*338*	*284%*
Cash, beginning of the period	**548**	296	*252*	*85%*
Cash, end of the period	**767**	77	*590*	*333%*

- **Cash used by operations** in Q1-26 period was $3.5 million compared to $0.5 million in Q1-25 representing a $3.1 million increase. The variance between the quarters included $0.8 million change in non-cash W/C, a $2.7 million increase in net loss from operations, offset by $0.4 million increase of items not affecting cash. Changes in non-cash working capital for Q1-26 included the $0.5 million balance of sales on the Juno acquisition and fluctuation of other non-cash W/C items mainly related to the reduction of payables at Du-Var and Juno off set.
- **Investing activities** used $0.8 million of cash during Q1-26 for addition to intangible, and fixed assets. Addition to intangibles included further investments towards the development of the Eye-care pipeline, while the addition to fixed assets included investments for setting up the new operating line at Steri-Med.
- **Financing activities** for Q1-26 contributed net proceeds of $4.6 million compared to $1.0 million in Q1-25. Proceeds in Q1-26, included net proceeds of $5.8 million from the increase in the revolving credit facility, less debt servicing and lease liability obligations.
- **Net cash** at Q1-26 was $0.8 million compared to $0.5 million at YE-25 representing a $0.2 million increase.

Transaction with related parties and shareholders:

The following table presents the compensation of key management personnel and Directors recognized in the consolidated statements of (loss) income and comprehensive (loss) income. Key management personnel include the CEO, CFO, and Corporate Vice-Presidents.

For the fiscal quarter ended on March 31,	*Notes*	**2026**	2025
Expenses			
Salaries, benefits, consulting and board fees		**316**	**256**
Interest earned on notes and debentures		**103**	**41**
Share-based compensation		**11**	**14**

The following table presents the related party transactions presented in the consolidated statement of financial position:

	Notes	**March 31, 2026**	December 31, 2025
Liabilities:			
Key management personnel and Directors			
Convertible Debentures recorded in long-term debt		**4,100**	4,000
Director fees included in accrued liabilities		**19**	53
Company owned by a key management personnel			
Notes payable and accrued interest	*1,2*	**1,444**	1,441

Note 1: Since December 2023, the Corporation borrowed various amounts from a company controlled by key management personnel bearing interest at 10-12% and repayable on or prior to February 1, 2028.

Note 2: On December 1, 2024, a long-term note payable of $1,000 was issued to a company controlled by key management personnel at 10% interest rate, repayable on January 1, 2028 (see note 7 to the Unaudited condensed consolidated financial statements). The LT note helped fund the Dermolab acquisitions.

Liquidities and financial position

				Change	
	Note	**Q1-26**	**YE-25**	*$*	*%*
Cash		**767**	548	*219*	*40%*
Accounts receivable		**6 711**	5 502	*1 209*	*22%*
Inventories		**17 310**	12 350	*4 960*	*40%*
Prepaids and deposits		**1 477**	1 194	*283*	*24%*
Other asset - acquisition deposit	*1*	**-**	4 500	*(4 500)*	*-100%*
Total Current Assets		**26 274**	24 103	*2 171*	*9%*
Revolving credit facility		**8 275**	2 525	*5 750*	*228%*
Accounts payable and accrued liabilities		**8 956**	6 227	*2 729*	*44%*
Short term financing and current portion of long-term debt		**2 496**	1 980	*516*	*26%*
Total Current Liabilities		**19 727**	10 732	*8 995*	*84%*
Working capital		**6 547**	13 371	*(6 824)*	*-51%*
Working Capital Ratio		***1,33***	*2,25*	*(0,91)*	*-41%*

Note 1: YE-25 balance relates to the cash/equity portion of the consideration paid to the Seller, for the Juno OTC transaction closed on Jan. 1, 2026

Over the last year, the Corporation continued to invest in building critical mass and developing a solid pipeline of products. Our working Capital at YE-25 reflected the $12 million convertible debenture financing closed prior to the end of the year. After allocating proceeds from the convertible debenture financing towards the Du-Var and Juno OTC acquisitions, our working capital remains strong at $6.5 million at the end of Q1-26. Our Q4-25 and Q1-26 results were impacted by slower activity at the Steri-Med plant required to address Health Canada and FDA requirements. With production at the Steri-Med plant having resumed in April 2026, and with anticipated growing contribution from the recently acquired entities, LSL Pharma believes that improved operating cash flows, and access to its newly increased $11.0 million operating line of credit provide adequate financial flexibility to implement its operating and financial obligations. Note that following the Du-Var and Juno acquisition, LSL Pharma's working capital assets used for supporting the revolving credit facility now exceed $24 million.

Total net borrowings under credit agreements, plus bank loans and other interest-bearing instruments, net of Cash ("Total net borrowings") totaled $34.8 million at the end of Q1-26 compared to $29.5 million at YE-25. This compares net tangible assets (total assets less cash, net intangibles and goodwill) of $58.7 million and $56.9 million respectively for Q1-26 and YE-25. Total Net Borrowing to Net Tangible Assets ratio (" Leverage ratio") stood at 0.6:1 at the end of Q1-26 compared to 0.5:1 as at the end of 2025. We believe that our leverage ratio is adequate for the time being and our goal is to reduce our interest-bearing debt, debt servicing and cost of capital. The Desjardins and BDC financing secured in Q2-25 meets these objectives. The $12 million convertible debt financing completed at the end of 2025 provided capital to support the Juno OTC acquisition as well as working capital flexibility to support the recent Juno OTC and Du-Var acquisitions. There is no debt servicing associated with these convertible debentures other than the semi-annual 10% coupon until its 4-yr maturity in December 2029, and the coupon is favorable for limiting the costs of capital due to its attractive conversion price. Following the convertible debenture financing, our average cost of interest-bearing debt at the end of Q1-26 stood at 8.2%. The Corporation is confident in its ability to secure additional capital from conventional lenders or investors should it requires more capital to fund its growth initiatives. The recent increase in our short-term line of credit demonstrates our ability to leverage our operating assets to fund investments in working capital as well as our operations.

Financial risks and fair value measurement – *refer to our FY-25 Annual Unaudited condensed consolidated financial statements – Note 21.*

Risk Factors

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

Disclosure of Outstanding Share Data

LSL Pharma's authorized share capital consists of an unlimited number of Class A Common Shares. As of May 22, 2026, LSL Pharma had 126,729,818 Class A Common Shares outstanding *(See Escrowed shares below)*. In addition, a total of 77,977,910 Class A Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by LSL Pharma, and comprised of:

- 26,666,666 Class A Common Shares issuable upon conversion of the $12M convertible debt issued on December 23, 2025;
- 41,745,974 Class A Common Shares issuable upon exercise of Warrants and Compensation warrants;
- 9,565,270 Class A Common Shares issuable upon exercise of Options (assuming full vesting).

Assuming exercise and conversion of the above, there would be a total of 204,707,728 shares outstanding, adding cash and removing convertible debts for a combined total of $46.7 million.

Escrowed share

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 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.

On February 27, 2026, the last and final tranche of escrowed shares was released from escrow and represented 14,071,600 shares. *More details on the escrow agreement can be found in the Corporation's latest Information Circular available on SEDARPLUS.CA.*

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Condensed Interim Consolidated Financial Statements of

LSL PHARMA GROUP INC.

Three-month periods ended March 31, 2026, and 2025
(Unaudited)

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

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Financial position

(All amounts in thousands of Canadian dollars)

(Unaudited)

As at	*Notes*	**March 31, 2026**	December 31, 2025
ASSETS			
Current			
Cash and cash equivalents		**769**	548
Accounts receivable		**6,711**	5,502
Inventories		**17,310**	12,350
Prepaid and deposits		**1,477**	1,194
Other asset – acquisition deposit	*4*	**-**	4,500
Income tax asset		**9**	9
Total current assets		**26,274**	24,103
Deposits		**20**	20
Property, plant and equipment, net		**32,384**	32,765
Intangible assets, net		**18,670**	17,473
Deferred tax asset		**223**	223
Goodwill	*4*	**2,440**	157
Total assets		**80,011**	74,741
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		**8,956**	6,227
Revolving credit facility	*5*	**8,275**	2,525
Current portion of long-term debt	*6*	**1,466**	863
Current portion of lease liabilities		**1,030**	697
Total current liabilities		**19,727**	10,312
Long-term notes payable	*7*	**2,042**	2,040
Long-term debt	*6*	**23,779**	24,518
Lease liabilities		**7,102**	7,707
Deferred tax liability		**3,192**	3,192
Total liabilities		**55,842**	47,769
SHAREHOLDERS' EQUITY			
Share capital and warrants	*8*	**40,471**	40,471
Equity component of convertible debenture	*6 (iv)*	**593**	593
Contributed surplus		**3,659**	3,645
Deficit		**(20,554)**	(17,737)
Total shareholders' equity		**24,169**	26,972
Total liabilities and shareholders' equity		**80,011**	74,741

Subsequent events (note 14), See accompanying notes

On behalf of the Board of Directors:

(Signed)_Louis Laflamme_____, *Director*

(Signed)_Mario Paradis _____, *Director*

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of loss and Comprehensive loss

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

(Unaudited)

	Notes	Three months ended March 31, 2026	2025
Revenues			
CMO		**6,153**	5,748
Eye-Care		**1,500**	877
Private label		**4,647**	-
Total Revenue		**12,300**	6,625
Cost of goods sold	*10*	**11,531**	4,519
Gross margin		**769**	2,106
Expenses			
Selling, general and administrative	*10*	**2,590**	1,659
Operating (loss) income		**(1,821)**	447
Share-based compensation	*8 (c)*	**14**	14
Finance expenses	*9*	**982**	588
Net loss, being the comprehensive loss for the period		**(2,817)**	(155)
Basic and diluted loss per share	*12*	***(0.02)***	***(0.00)***
Weighted average number of common shares outstanding			
Basic		**126,729,818**	115,532,676
Diluted		**126,798,964**	115,532,676

See accompanying notes

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

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

(Unaudited)

		Class A shares and warrants						
	Notes	**Number of shares**	**Number of warrants**	**Amount**	**Equity component of convertible debenture**	**Contributed surplus**	**Deficit**	**Total**
Balance as at January 1, 2025		115,532,676	36,123,659	36,386	375	3,048	(14,917)	24,892
Net loss		-	-	-	-	-	(155)	(155)
Share-based compensation	*8 (c)*	-	-	-	-	14	-	14
Balance as at March 31, 2025		115,532,676	36,123,659	36,386	375	3,062	(15,072)	24,751
Balance as at January 1, 2026		**126,729,818**	**41,782,474**	**40,471**	**593**	**3,645**	**(17,737)**	**26,972**
Net loss		**-**	**-**	**-**	**-**	**-**	**(2,817)**	**(2,817)**
Share-based compensation	*8 (c)*	**-**	**-**	**-**	**-**	**14**	**-**	**14**
Expired warrants	*8 (b)*	**-**	**(36,500)**	**-**	**-**	**-**	**-**	**-**
Balance as at March 31, 2026		**126,729,818**	**41,745,974**	**40,471**	**593**	**3,659**	**(20,554)**	**24,169**

See accompanying notes

LSL PHARMA GROUP INC.

Condensed Interim Consolidated Statements of Cash Flow

(All amounts in thousands of Canadian dollars)

(Unaudited)

		Three months ended March 31,	
	Notes	**2026**	2025
OPERATING ACTIVITIES:			
Net loss for the period		**(2,817)**	(155)
Adjustments for:			
Depreciation and amortization		**816**	471
Finance expenses		**682**	588
Share-based compensation	*8 (c)*	**14**	14
		1,512	1,073
Net change in non-cash working capital items	*13*	**(2,234)**	(1,401)
Cash outflow from operating activities		**(3,539)**	(483)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		**(246)**	(374)
Acquisition of intangible assets		**(593)**	(262)
Cash outflow for investing activities		**(839)**	(636)
FINANCING ACTIVITIES:			
Repayment of long-term debt		**(230)**	(345)
Issuance of long-term debt		**-**	596
Interest paid		**(540)**	(363)
Net change from revolving credit facility		**5,750**	555
Net change in lease liabilities		**(383)**	(195)
Net change in notes payable		**-**	750
Net change in long-term notes		**-**	2
Cash inflow from financing activities		**4,597**	1,000
Net change in cash and cash equivalents		**219**	(119)
Cash and cash equivalents, beginning of year		**548**	296
Cash and cash equivalents, end of period		**767**	177

See accompanying notes

1. Reporting entity

LSL Pharma Group Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The head office and the registered office of the Corporation is located at 540, rue D'Avaugour, Boucherville, Québec. These condensed consolidated interim financial statements comprise those of the Corporation and its wholly owned subsidiaries, Steri-Med Pharma Inc., LSL Laboratory Inc., Virage Sante Inc., Dermolab Pharma Ltd., Laboratoire Du-Var Inc., and Juno OTC Inc.. The Corporation develops, manufactures and commercializes sterile pharmaceutical products, private label, cosmetic and natural health products. LSL Pharma Group Inc. is listed on the TSX venture exchange under the symbol "LSL".

2. Basis of preparation

These condensed interim consolidated financial statements do not include all the information required of a full set of annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Corporation since the end of the last annual reporting period. It is therefore recommended that these condensed interim consolidated financial statements be read in conjunction with the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2025.

These condensed interim consolidated financial statements were authorized for issuance by Board of Directors of the Corporation on May 22, 2026, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Therefore, these condensed interim consolidated financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements.

3. Use of judgments and estimates:

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

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in the Corporation's 2025 audited annual consolidated financial statements and are still applicable for the three-month period ended March 31, 2026.

4. Business acquisition

Laboratoire Du-Var Inc.

On November 17, 2025, the Corporation acquired 100% of the outstanding shares of Laboratory Du-Var Inc. ("Du-Var"), a privately owned business headquartered in Boucherville, Quebec.

In operation since 1947, Du-Var specializes in the development, manufacturing and packaging of liquid and semi-solid cosmetic, and natural health products. The acquisition increases the Corporation's production capacity for liquid and semi-solid products and allows the Corporation to diversify its product offering and attract new customers in a segment that compliments its core business.

Consideration paid for the shares was one dollar. The excess of the fair value of net assets acquired resulted in a gain on acquisition of $2,428 included in the consolidated statement of loss. No goodwill arose from the business combination with Laboratory Du-Var Inc.

The fair value of trade and other receivables acquired as part of the business acquisition amounted to $642 with a gross contractual amount of $642. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted to nil.

The fair value of the consideration transferred, and the net identifiable assets acquired were determined based on the Corporation's assumptions and estimates. Accounts receivables were recognized at fair value, which does not differ from their gross contractual value and expected receipts. Inventories are measured at their net realizable value, which corresponds to the estimated selling price less the estimated costs necessary to make the sale. A combination of the direct and indirect methods of the cost approach and of the market approach was used to estimate the fair value of property, plant and equipment. The replacement cost was used to value licenses and

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

certification. The multi-period excess earnings and the replacement costs were used to derive the value of customer relationships. These valuation methods are all primarily based on expected discounted cash flows according to available information, such as Du-Var's historical and projected revenue and profit before interest, income taxes and depreciation and amortization, the likelihood of certain customer agreements being renewed, the discount rates, and certain other relevant assumptions.

The following is a summary of assets acquired, liabilities assumed, and the consideration transferred:	Estimated fair value
Assets acquired:	
Accounts receivable	609
Inventories	1,223
Prepaid expenses	131
Property, plant and equipment	8,176
Intangible assets – ERP	450
Customer relationships	1,100
License and certifications	350
	12,039
Liabilities assumed:	
Accounts payable and accrued liabilities	1,865
Revolving line of credit (net of cash acquired)	1,116
Long term debt	1,207
Deferred tax liability	1,471
Lease liabilities	3,952
	9,611
Total net assets acquired, and liabilities assumed	**2,428**
Total consideration	-
Gain on acquisition	2,428
Total consideration for the outstanding shares acquired	**2,428**

Juno OTC Inc.

On December 23, 2025, the Corporation acquired 100% of the outstanding shares of Juno OTC Inc. ("Juno OTC"), a Toronto based wholly owned subsidiary of Juno Pharmaceuticals LP. The effective date of the transaction was January 1, 2026, when the Corporation assumed full control. Juno OTC is a leading supplier in the Canadian private label consumer healthcare over the counter ("OTC") market providing key Canadian retailers with core product offerings under the retailers' own recognized private label brands and strategic new opportunities to build mutual business. Juno OTC revenues will be presented as a new Private label revenue segment.

Consideration paid for the shares consisted of cash consideration of $2,500, and equity consideration of $2,000 paid through the issuance of 5,509,642 Class "A" common shares of the Corporation (see note 8(a)). The acquisition agreement also included a post-closing working capital adjustment payable on January 1, 2027, and is included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

	Estimated fair value
Base consideration:	
Consideration on closing	
Cash consideration for outstanding shares	2,500
Equity consideration for outstanding shares	2,000
Total consideration on closing	4,500
Post-closing working capital adjustment	500
Total consideration	**5,000**

The fair value of trade and other receivables acquired as part of the business acquisition amounted to $1,533 with a gross contractual amount of $1,533. As of the acquisition date, the best estimate of the contractual cash flows not expected to be collected amounted

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

to nil. The excess of the fair value of net assets acquired resulted in a recognition of $2,283 of Goodwill presented on the Consolidated Statement of Financial Position.

The fair value of the consideration transferred, and the net identifiable assets acquired were determined based on the Corporation's assumptions and estimates. Accounts receivables were recognized at fair value, which does not differ from their gross contractual value and expected receipts. Inventories are measured at their net realizable value, which corresponds to the estimated selling price less the estimated costs necessary to make the sale. The Corporation has not finalised the identification of acquired intangible assets as of March 31, 2026.

The following is a summary of assets acquired, liabilities assumed, and the consideration transferred:	Estimated fair value
Assets acquired:	
Accounts receivable	1,533
Inventories	4,782
Prepaid expenses	213
Property, plant and equipment	6
Goodwill	2,283
Intangible assets	790
	9,607
Liabilities assumed:	
Accounts payable and accrued liabilities	4,607
	4,607
Total net assets acquired, and liabilities assumed	**5,000**
Total consideration on closing	4,500
Post-closing working capital adjustment (balance of sale)	500
Total consideration for the outstanding shares acquired	**5,000**

5. Revolving credit facility

On June 27, 2025, the Corporation entered into a revolving credit facility agreement with Caisse Desjardins des Patriotes. The maximum amount available was $7,500, subsequently increased to $11,000 in February 2026 and is secured by movable hypothecs on the assets of all entities excluding Juno OTC, including accounts receivable and inventory. The amount drawn under this facility as at March 31, 2026 was $7,180.

As part of the acquisition of Du-Var the Corporation entered into a revolving credit facility with the Royal Bank of Canada. The maximum amount available was $1,200 and was based on a specified percentage of accounts receivable and inventories. The amount drawn under this credit facility as at March 31, 2026, was $1,095. This facility has been subsequently repaid (see note 14).

6. Long-term debt

As at:	**March 31, 2026**	December 31, 2025
Secured loan from BDC-1 (i)	**4,385**	4,429
Secured loan from BDC-2 (ii)	**4,764**	4,754
Secured loan from Desjardins (iii)	**4,593**	4,706
Unsecured convertible debentures (iv)	**10,732**	10,677
Term loan Investissement Quebec (v)	**771**	815
Current	**1,466**	863
Non-current	**23,779**	24,518
Total	**25,245**	25,381

(i) Secured BDC loan-1

On December 20, 2024, the Corporation secured a loan of $5,000 with the Business Development Bank of Canada (BDC). An initial disbursement of $4,500 was made in December 2024 with the remaining $500 received in April 2025. The Corporation incurred transaction costs of $79. The loan bears interest of BDC base rate +1.5% and can be reduced up to 2.5% based on certain financial criteria. A first criteria was met, and the rate was reduced by 1.5% as of June 2025. The loan is guaranteed by immovable and movable property of Steri-Med and is jointly guaranteed by all entities of the Corporation. The loan matures December 2049, with monthly installments of $17.

(ii) Secured BDC loan-2

On June 27, 2025, the Corporation secured an additional $5,000 loan with the BDC, this loan is pari-passu with the Secured Desjardins loan (see note 6 (iii)). The Corporation incurred transaction costs of $105. The loan bears interest of BDC base rate +2.0% subject to interest rate reduction based on certain milestones. A first criteria was met, and the rate was reduced by 0.75% as of October 2025. The loan is guaranteed by movable property of all entities, immovable property of the Virage Sante Inc. and is jointly guaranteed by all entities of the Corporation. The loan matures June 2050, with monthly installments of $53 beginning July 2026, and lowering to monthly installments of $3 as of June 2033.

(iii) Secured Desjardins loan

On June 27, 2025, the Corporation secured a $5,000 loan with the Caisse Desjardins des Patriotes, this loan is pari-passu with the Secured BDC loan- 2 (see note 6 (ii)). The Corporation incurred transaction costs of $105. The loan bears interest of prime rate + an average of 0.8% subject to interest rate reduction based on certain milestones and is guaranteed by movable property of all entities, immovable property of the Virage Sante Inc. and is jointly guaranteed by all entities of the Corporation. The loan is payable over an average of 12 years, with current monthly installments of $40.

(iv) Unsecured convertible debentures:

On December 23, 2025, the Corporation completed a brokered private placement through the issuance of 12,000 unsecured convertible debentures for gross proceeds of $12,000 (the “Debentures”). The Corporation incurred transaction costs of $739 including fair value of 400,000 broker warrants issued of $36. referred to as "Broker Warrants – debentures").

The Broker Warrants – debentures are exercisable to acquire one Class A Share of the Corporation at a price of $0.45 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 following the date that is four months and a day after the Closing Date at a conversion price of $0.45, until the close of the earlier of (i) the last business day immediately preceding December 31, 2029 (the “Maturity Date”), and (ii) the business day immediately preceding the date fixed for redemption of the Debentures by the Corporation, if any.

The Debentures will be redeemable during the period beginning twenty four (24) months after the Closing Date, at the Corporation’s option, at a price equal to (i) 105% of the principal amount plus accrued and unpaid interest if redeemed prior to thirty six (36) months following the Closing Date, and (ii) 104% of the principal amount plus accrued and unpaid interest if redeemed after thirty six (36) months following the Closing Date but prior to the Maturity Date.

The Debentures are payable on the Maturity Date in cash subject to any prior conversion or redemption. The outstanding principal amounts bears interest at the rate of 10% per year payable in cash semi-annually on the last day of June and December of each year with the first payment on June 30, 2026.

The conversion option, net of related issuance costs, has been recorded in shareholders’ equity for an amount of $593. Factoring in the issuance costs, the effective interest rate on the Debentures is 14.12%.

The redemption feature was identified as an embedded derivative financial instrument measured at FVTPL. The Corporation utilized a binomial tree based stochastic interest rate model to determine the fair value of the redemption feature. As at March 31, 2026, the redemption feature had no significant value.

(v) Term loan Investissement Quebec:

As part of the Du-Var acquisition (see note 4) the Corporation acquired a term loan with Investissement Quebec. The loan bears interest at 0% and is payable in monthly installments of $20. The loan matures December 31, 2029, and is guaranteed by movable property of Du-Var. The loan is presented using an effective interest rate of 7.14%.

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

7. Notes payable

	Three months ended March 31, 2026	Year ended December 31 2025
Balance, beginning of year	**2,040**	3,621
Additions	**-**	2,024
Conversion	**-**	-
Accrued interest & accretion	**2**	21
Repayment net of transaction costs	**-**	(3,626)
Total	**2,042**	2,040

As at March 31, 2026, long-term notes payable include $1,063 ($1,084 as at December 31, 2025) due to related parties (see note 11).

8. Share capital and warrants

(a) Share capital

Class A Shares ("Class A")

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

During 2025, the Corporation completed a private placement financing resulting in the issuance of share units ("units"), as well as an acquisition resulting in the issuance of shares. The following table summarizes the key information related to each transaction:

Date	Name	Consideration	Amount $	Number of units/shares
September 2, 2025[1-3]	September 2025 Financing	Cash	2,275	5,687,500
December 23, 2025[4]	Acquisition Juno OTC	Acquisition	2,000	5,509,642
Total 2025			4,275	**11,197,142**

1. All units were issued at a price of $0.40 per unit
2. Each unit consists of one (1) class A share of the Corporation and one (1) Class A common share purchase warrant
3. The warrants issued in September 2025 had a term of 24 months, and an exercise price of $0.70.
4. The Corporation issued the shares in relation to the acquisition of Juno OTC (see note 4)

Class B Shares ("Class B")

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

(b) Warrants

As part of the September 2025 Financing, 5,687,500 warrants were issued entitling the holder to acquire one (1) Class A common share at a price of $0.70 for a period of 24 months. The Corporation also issued 59,375 compensation warrants entitling the holder to acquire one (1) Class A common share at a price of $0.70 for a period of 18 months.

As part of the Unsecured convertible debentures financing, the Corporation issued 400,000 broker warrants entitling the holder to acquire (1) Class A common share at a price of $0.45 for a period of 24 months.

The fair value for all warrants were determined using the Black-Scholes option pricing model and based on the following weighted average assumptions.

Weighted average	2025 Private placement warrants	2025 Compensation warrants	2025 Broker warrants
Fair value at grant date	0.04	0.07	0.09
Share price at grant date	0.39	0.39	0.36
Exercise price	0.70	0.70	0.45
Risk-free interest rate	2.7%	2.7%	2.6%
Expected volatility	47.5%	73.2%	57.3%
Expected life	2.0 years	1.5 years	2.0 years

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

Changes in the number of warrants and compensation warrants since January 1, 2025, were as follows:

	Date of Issuance	Warrants	Compensation/Broker warrants	Weighted average exercise price
Balance, January 1, 2025		**35,599,099**	**524,560**	**0.70**
Granted				
September 2025 Financing	September 2,2025	5,687,500	59,375	0.70
Unsecured convertible debentures	December 23,2025	-	400,000	0.45
Expired		-	(488,060)	0.70
Balance, December 31, 2025		**41,286,599**	**495,875**	**0.70**
Expired		-	(36,500)	0.70
Balance, March 31, 2026		**41,286,599**	**459,375**	**0.70**

(c) Share-based compensation

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

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

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

Changes in the number of outstanding options since January 1, 2025, were as follows:

	Number of options	Weighted average exercise price
Options outstanding, January 1, 2025	**7,645,270**	**0.62**
Granted		
January 17, 2025	625,000	0.37
March 21, 2025	160,000	0.37
April 1, 2025	500,000	0.37
Cancelled during 2025	(75,000)	0.37
Options outstanding December 31, 2025	**8,855,270**	**0.58**
Granted		
February 03, 2026	960,000	0.37
Cancelled during 2026	(250,000)	0.52
Outstanding options, end of period	**9,565,270**	**0.63**

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

As at March 31, 2026, 7,885,090 options were exercisable (7,565,090 as at December 31, 2025). The fair values of the options granted since January 1, 2025, have been determined using the Black-Scholes option pricing model using the following assumptions:

Weighted average	**2026 Grants**	2025 Grants
Fair value at grant date	**0.22**	0.18
Share price at grant date	**0.52**	0.34
Exercise price	**0.52**	0.37
Risk-free interest rate	**3.0%**	2.7%
Expected volatility	**44.2%**	59.9%
Expected life	**5 years**	5 years
Contractual life	**10 years**	10 years

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period equal to the expected life. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on best estimate, management applied the estimated forfeiture rate of 0% (December 31, 2025 – 0%) in determining the share-based compensation expenses recorded in the statement of loss.

The share-based compensation expense recorded under the plan in the consolidated statements of loss and comprehensive loss was $14 for the three months ended March 31, 2026 (2025 - $14). The options outstanding as of March 31, 2026, have an average remaining contractual life of 8.2 years.

9. Finance expenses

	Three months ended March 31,	
	2026	2025
Interest expense on long-term debt	**359**	201
Interest expense on convertible debt	**300**	90
Interest on notes payable (including paid to related parties)	**67**	158
Interest expense on revolving credit facility	**81**	6
Other finance expense	**74**	68
Interest expense on lease liabilities	**101**	65
	982	588

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

	Three months ended March 31,	
	2026	2025
Included in cost of goods sold		
Employee salaries and benefits	**3,578**	2,431
Depreciation and amortization	**732**	436
Included in selling expenses		
Employee salaries and benefits	**136**	41
Included in administrative expenses		
Employee salaries and benefits	**510**	747
Depreciation and amortization	**84**	35

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

11. Transaction with related parties and shareholders

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

	Three months ended March 31,	
	2026	2025
Expenses		
Salaries, benefits, bonus, consulting and board fees	**316**	256
Interest earned on notes and debentures	**103**	41
Share-based compensation	**11**	14

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

	Notes	**March 31, 2026**	December 31, 2025
Liabilities:			
Key management personnel and Directors			
Convertible Debentures and accrued interest		**4,100**	4,000
Director fees included in accrued liabilities		**19**	53
Company controlled by key management personnel			
Notes payable, and accrued interest	*1,2*	**1,444**	1,441

Note 1: Between December 2023 and March 2026, the Corporation borrowed various amounts from a company controlled by key management personnel bearing interest at 10-12% and repayable on or prior to February 1, 2028.

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

12. Basic and diluted loss per share:

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

	Three months ended March 31,	
	2026	2025
Net loss	**(2,817)**	(155)
Issued common shares (end of period)	**126,729,818**	115,532,676
Weighted average number of common shares (basic)	**126,729,818**	115,532,676
Weighted average number of common shares (diluted)	**126,798,964**	115,532,676
Loss per common share (basic & diluted)	**(0.02)**	(0.00)

13. Additional cash flow information:

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

	Three months ended March 31,	
	2026	2025
Accounts receivable	**325**	(279)
Inventories	**(176)**	(2,557)
Prepaid expenses	**(71)**	397
Accounts payable and accrued liabilities	**(1,812)**	1,038
Balance of sale - acquisition (see note 4)	**(500)**	-
Net change in non-cash operating working capital items	**(2,234)**	(1,401)

14. Subsequent events:

a) In April 2026 the Corporation repaid the totality of Du-Var's $1,200 operating line of credit.