

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

HLS Therapeutics Inc. (“HLS” or the “Company”) was formed on March 12, 2018 by the amalgamation of HLS Therapeutics Inc. (“former HLS”) and Automodular Corporation (“AMD”). The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the unaudited condensed interim consolidated financial statements of HLS for the three and nine months ended September 30, 2020 and the audited consolidated financial statements and MD&A for the year ended December 31, 2019. References to “HLS” and the “Company” in this MD&A also refer to former HLS, as the context requires.

This discussion is presented as of November 4, 2020 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from the above noted financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), with the exception of the Selected Quarterly Information. All amounts are in thousands of United States (“U.S.”) dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “potential” and similar expressions are intended to identify forward-looking statements or information. More particularly and without limitation, this MD&A contains forward-looking statements and information concerning: statements with respect to future prospects for Company products, including Clozaril®, CSAN® Pronto™, MyCare™ Insite™, PERSERIS™, Trinomia® and Vascepa®, and royalty interests including Absorica®; statements with respect to HLS’s pursuit of additional product and pipeline opportunities in certain therapeutic markets; and HLS’s anticipated cash needs and its need for additional financing.

The forward-looking statements and information included in this MD&A are based on certain key expectations and assumptions made by HLS and although HLS believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because HLS can give no assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Factors and risks which could cause actual results or events to differ materially from those expressed in its forward-looking statements are discussed below and in HLS’s materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the Company’s Annual Information Form dated March 18, 2020, which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements and information contained in this MD&A are made as of the date hereof and HLS undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements.

In particular, management uses Adjusted EBITDA as a measure of the Company's performance. To reconcile net loss for the year with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition and transaction costs", (iv) "finance and related costs", and (v) "recovery of income taxes" appearing in the Selected Consolidated Financial Information presented below are added to net loss for the period to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	Three months ended		Nine months ended	
	September 30, 2020	2019	September 30, 2020	2019
Net loss for the period	(1,733)	(1,998)	(8,053)	(7,332)
Stock-based compensation	(643)	659	111	1,727
Amortization and depreciation	6,916	8,135	23,673	24,356
Acquisition and transaction costs	234	31	557	630
Finance and related costs	(506)	1,068	640	5,381
Income tax expense (recovery)	252	150	(1,525)	(355)
Adjusted EBITDA	4,520	8,045	15,403	24,407

OVERVIEW

HLS is a Canadian-based North American-focused specialty pharmaceutical company focused on clinically differentiated pharmaceutical products in the specialty central nervous system ("CNS") and cardiovascular ("CV") markets. The following is a discussion of the Company's products.

Clozaril and CSAN Pronto

As at September 30, 2020, HLS's lead product is Clozaril (an atypical antipsychotic indicated in the management of symptoms of treatment-resistant schizophrenia) for the Canadian and U.S. markets. Clozaril continues to lead the market for treatment-resistant schizophrenia in Canada, with a large part of this leadership attributed to the superior service and support provided by the dedicated resources of the Clozaril Support and Assistance Network (CSAN®). The Company continues to improve and enhance the CSAN service. On October 17, 2019, the Company announced that Health Canada granted a medical device

license to the Athelas One capillary point-of-care medical device, that is being commercialized in Canada as CSAN® Pronto™. This system was designed to enhance and simplify the mandatory safety blood monitoring process for patients that are prescribed Clozaril. HLS has the exclusive Canadian rights to the device in the field of schizophrenia.

Vascepa

In 2017, the Company entered into a license agreement with Amarin Corporation plc (“Amarin”) to register, commercialize and distribute Vascepa (icosapent ethyl) capsules in Canada. Since then, several milestones have been achieved:

- In 2018, Amarin announced that its REDUCE-IT™ Cardiovascular Outcomes Study of Vascepa capsules met its primary endpoint, demonstrating an approximately 25% relative risk reduction, to a high degree of statistical significance ($p < 0.001$), in the primary endpoint composite of the first occurrence of major adverse CV events (“MACE”), including CV death, nonfatal myocardial infarction, nonfatal stroke, coronary revascularization, or unstable angina requiring hospitalization. Following release of these results, the Company paid Amarin a \$2.5 million milestone payment in 2018.
- Also, in 2018, Amarin presented more granular results of the REDUCE-IT Cardiovascular Outcomes Study in which Vascepa, taken as an add-on to a statin in a population presenting a residual cardiovascular risk, demonstrated a 20% reduction in cardiovascular death, a 31% reduction in heart attacks and a 28% reduction in strokes among other results when compared to a placebo add-on to a statin.
- On March 29, 2019, the Company announced that Health Canada had granted priority review status for Vascepa. This priority approval process could reduce the time to approval for Vascepa by more than four months in recognition of the potential that Vascepa could address a serious, life-threatening condition for which there is no other treatment in market and that there is substantial evidence of the clinical effectiveness of the treatment.
- On April 29, 2019, the Company announced that it had filed a New Drug Submission with Health Canada for Vascepa.
- On December 30, 2019, Health Canada approved Vascepa in Canada to reduce the risk of cardiovascular events (cardiovascular death, non-fatal myocardial infarction, non-fatal stroke, coronary revascularization, or hospitalization for unstable angina) in statin-treated patients with elevated triglycerides who are at high risk of cardiovascular disease or diabetes and at least one other cardiovascular risk factor. Following approval by Health Canada, the Company paid Amarin a \$2.5 million milestone payment in 2019.
- On January 6, 2020, the Company learned that Vascepa (icosapent ethyl) was added to Health Canada’s Register of Innovative Drugs and as a result it will benefit from data protection for a period of eight years, in addition to any other intellectual property rights. Following confirmation of data protection, the Company paid Amarin a \$3.75 million milestone payment in the first quarter of 2020.
- The Company started commercial distribution of Vascepa in Canada on February 7, 2020 ensuring that Vascepa was broadly available to all Canadian pharmacies through their usual pharmaceutical wholesalers within two weeks. The Company has purchased \$9.0 million of Vascepa inventory, of which \$1.8 million was paid for in the third quarter. At the discretion of management, a portion of this inventory may be used for promotional activities.

- On July 20, 2020, the Company announced that the Canadian Agency for Drugs and Technologies in Health (“CADTH”) had recommended that Vascepa be reimbursed by participating public drug plans for statin-treated patients with established cardiovascular disease and elevated triglycerides. The Company further announced that the Patented Medicines Pricing Review Board (“PMPRB”) had also notified the Company that, further to its review, the initial price submitted by the Company for Vascepa did not trigger the investigation criteria for excessive pricing.
- On August 31, 2020, the Company announced that the results from the EVAPORATE Trial (Effect of Icosapent Ethyl on Progression of Coronary Atherosclerosis in Patients with Elevated Triglycerides on Statin Therapy) were presented at the European Society of Cardiology. In this trial, Vascepa demonstrated a 17% regression of low attenuation plaque volume over eighteen months when compared to placebo.

Other products

On September 30, 2020, the Company acquired certain entities that hold the rights to a diversified portfolio of royalty interests on global sales of four different products.

On June 1, 2020, the Company entered into an exclusive agreement to distribute the MyCare Insite point of care blood-testing device associated diagnostic tests in Canada. The agreement is contingent on Saladax Biomedical, Inc. receiving regulatory approval for these products in Canada.

On May 8, 2019, the Company entered into an exclusive agreement to register and commercialize PERSERIS, a novel long-acting subcutaneous injectable containing risperidone for the treatment of schizophrenia, that, if approved, will complement the Company’s CNS portfolio in Canada. On January 23, 2020, the Company announced that PERSERIS had been accepted for review by Health Canada.

In 2017, the Company entered into a license agreement to commercialize and distribute Trinomia in Canada contingent on achieving certain regulatory milestones. Trinomia is a second product related to the treatment of cardiovascular disease and, if approved, will be complementary to Vascepa. In early fiscal 2020, Trinomia was accepted for review by Health Canada.

HLS also holds the U.S. marketing rights to Absorica (a commercial stage dermatology product) which, in effect, provides HLS with income based on U.S. sales of Absorica by a third party.

Corporate development

HLS intends to pursue additional product and pipeline opportunities in the central nervous system and cardiovascular therapeutic markets, and potentially in other therapeutic areas, through targeted business development efforts.

Global pandemic

In early 2020, the coronavirus (“COVID-19”) was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic. Since mid-March, the Company and its employees have been observing social distancing practices and working from home where possible, consistent with local public health requirements and official closures. As of June 28, 2020, the Company started permitting employees to return to offices on a limited, rotational basis and to resume in-person interactions with customers where permitted by local public health authorities and when appropriate protective measures are in effect.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial

statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

Although the Company has determined that no significant revisions to such estimates, judgments or assumptions were required for the first three quarters fiscal 2020, revisions may be required in future periods. Any such revision (due to COVID-19 or otherwise) could have a material impact on our results of operations and financial condition. Further, in the event that such a material impact were to occur, the Company may need to consider requesting modifications to the covenants in its credit facility and there can be no assurance that such modifications would be provided.

See the “Results of Operations” section of this MD&A for a discussion of the impact of Covid-19 on the Company’s current results.

While the Company believes the current conditions related to the COVID-19 pandemic to be temporary, the situation is dynamic and the long-term impact of COVID-19 on its results of operations and financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impacts or potential impacts to its business.

See the “Risk Management” section of this MD&A for a further discussion of the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS

HLS measures the success of its strategies using several key performance indicators. These include Revenue, and Adjusted EBITDA, as described above. HLS believes these are important measures as they allow the company to evaluate its operating performance and identify financial and business trends relating to its financial condition and results of operations.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	13,129	13,426	39,624	40,223
Expenses				
Cost of product sales	824	538	2,314	1,448
Selling and marketing	2,847	1,600	9,640	4,228
Medical, regulatory and patient support	1,238	1,156	4,183	3,767
General and administrative	3,700	2,087	8,084	6,373
Adjusted EBITDA ⁽¹⁾	4,520	8,045	15,403	24,407
Stock-based compensation	(643)	659	111	1,727
Amortization and depreciation	6,916	8,135	23,673	24,356
Operating income (loss)	(1,753)	(749)	(8,381)	(1,676)
Acquisition and transaction costs	234	31	557	630
Finance and related costs, net	(506)	1,068	640	5,381
Loss before income taxes	(1,481)	(1,848)	(9,578)	(7,687)
Income tax expense (recovery)	252	150	(1,525)	(355)
Net loss for the period	(1,733)	(1,998)	(8,053)	(7,332)
Net loss per share:				
Basic and diluted	\$(0.05)	\$(0.06)	\$(0.25)	\$(0.25)

	As at September 30, 2020	As at December 31, 2019
Cash and cash equivalents	20,890	47,078
Total assets	305,992	319,671
Total long-term debt and financial liabilities	101,721	91,822
Total shareholders' equity	168,843	178,199

⁽¹⁾ See "Cautionary Note Regarding Non-IFRS Measures" section of this MD&A.

RESULTS OF OPERATIONS

The following section provides management's analysis of operating results, including key performance indicators.

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Product sales				
Canada	7,383	6,851	21,737	20,136
United States	3,988	4,257	12,067	13,027
	11,371	11,108	33,804	33,163
Royalty revenue	1,758	2,318	5,820	7,060
	13,129	13,426	39,624	40,223

Product sales

The Company's product sales returned to year-over-year growth in the third fiscal quarter of fiscal 2020, despite continued impact of the COVID-19 pandemic. These results reflect the resiliency of the Company's Clozaril franchises in Canada and the United States as well as the increasing momentum of the Vascepa introduction in Canada. The Company generated \$11.4 million of product sales, comprising \$7.4 million in product sales in Canada, an increase of \$0.5 million or 7.8% versus the prior year period and \$4.0 million in the U.S. market, down \$0.3 million from the prior year period.

In the Canadian market, where Clozaril and the CSAN patient support program are supported by a comprehensive network of HLS employees, Clozaril continues to be the market-leading treatment for treatment-resistant schizophrenia with a growing number of patients. Through September 2020, the number of Clozaril patients in Canada grew by 2.0% year-over-year, including continued new patient initiation since the start of the COVID-19 pandemic, though at a reduced rate.

Despite the COVID-19 pandemic, Clozaril net sales in Canada for the third quarter of 2020 were up 2.3% in Canadian dollars from the same period in the prior year, and up 5.8% in Canadian dollars for the year-to-date period versus the same prior year period. This continued increase in Clozaril product sales was off-set by the impact of a 1.0% reduction in the average exchange rate year-over-year on the translation of Canadian results to U.S. dollars for the third quarter and by 1.9% for the year-to-date period. The Company's Canadian product sales for the third quarter also reflected meaningful growth in the number of Vascepa prescribers and patients that resulted in consistent and growing replenishment orders for Vascepa.

In Canada, the blood monitoring process for patients that have been prescribed Clozaril requires 39 venous blood draws in the first year of treatment, which has been cited as a barrier to utilization of the medication. CSAN Pronto, the point-of-care blood-testing device integrated with the Company's CSAN patient support program and granted a medical device license by Health Canada in October 2019, is designed to enhance and simplify the mandatory blood monitoring process for Canadian patients prescribed Clozaril as it will require only a drop of blood from a finger prick and it will return test results in minutes compared with the inconvenience and delay of a laboratory test.

The Company is working with leading mental health institutions across Canada to make this new blood testing system broadly available to Clozaril patients. While deployment of CSAN Pronto has been

impacted by the COVID-19 pandemic, the Company continues to expand the number of sites using the CSAN Pronto system. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

In the United States market, the Company conducted a pilot program in 2019 with Athelas, the developer and manufacturer of the Athelas One medical device (known as CSAN Pronto in Canada) to evaluate the potential for the blood testing system for clozapine patients. Since then, the Company is working with Athelas to progressively extend this program, known as the Refractory Schizophrenia Assistance Program (“RSAP”), to selected regions and settings of care.

Clozaril product sales in the United States market declined \$0.3 million or 6.3% in the third quarter of 2020 compared to the prior year period. Clozaril volumes and gross sales are relatively flat on a year-over-year basis for both the third quarter and the year-to-date period, up 1.1% and down 0.8%, respectively. The decline in product sales compared to the prior year periods reflect more favorable gross-to-net adjustments in the prior periods.

Royalty revenues

Absorica royalty revenue was \$1.8 million in the third quarter of 2020, consistent with the royalties in the second quarter of 2020, but down \$0.6 million from the \$2.3 million in the same period last year. The Absorica royalties include royalties on the of Absorica LD, a line extension to Absorica that was introduced to the U.S. market in the first quarter of 2020. The Company expects that the economic life of its marketing rights will terminate by the end of 2020.

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. While the acquired interests include an entitlement to the royalties for the third quarter, estimated at \$2.0 million, these royalties have been recorded as acquired accounts receivable and have not been included in revenues for the current period.

Operating expenses

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Cost of product sales	824	538	2,314	1,448
Selling and marketing	2,847	1,600	9,640	4,228
Medical, regulatory and patient support	1,238	1,156	4,183	3,767
General and administrative	3,700	2,087	8,084	6,373
	8,609	5,381	24,221	15,816

The cost of product sales increased in the current period as a result of additional costs related to expanding the Clozaril product line-up to facilitate a wider range of dosing options and the introduction of Vascepa in Canada, including sales royalties.

Selling and marketing activities increased by \$1.2 million for the third quarter of 2020 relative to the same period in the prior year, reflecting additional costs following the introduction of Vascepa in Canada including the Vascepa salesforce expansion at the start of the 2020. Medical, regulatory and patient support activities increased by \$0.1 million relative to the same period in the prior year, reflecting additional support costs for Vascepa. General and administrative costs increased \$1.6 million in the third fiscal quarter relative to the prior year as well as the run rate for the first two fiscal quarters of the current year largely due to \$1.3 million of costs associated with the planned retirement of the Company’s founding CEO.

Adjusted EBITDA ⁽¹⁾

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Adjusted EBITDA ⁽¹⁾	4,520	8,045	15,403	24,407

⁽¹⁾ See “Cautionary Note Regarding Non-IFRS Measures” section of this MD&A.

Adjusted EBITDA for the third quarter of 2020 decreased by \$3.5 million compared to the prior year due to the \$3.2 million increase in operating expenses, primarily the result of the increase in the selling and marketing costs to support the Vascepa launch in Canada and the \$1.3 million in costs associated with the retirement of the founding CEO, as well as the \$0.6 million decrease in Absorica royalty revenues.

On September 30, 2020, the Company completed an acquisition of a portfolio of royalty interests, which includes an entitlement to the royalties related to the quarter ended September 30, 2020, which is estimated to be \$2.0 million. On a pro forma basis, including the royalty entitlement for the third quarter, Adjusted EBITDA for the fiscal 2020 third quarter and year-to-date is \$6.5 million and \$17.4 million, respectively, as follows:

	Three months ended September 30, 2020	Nine months ended September 30, 2020
Adjusted EBITDA ⁽¹⁾	4,520	15,403
Royalty entitlement for third quarter	2,010	2,010
Pro forma Adjusted EBITDA ⁽¹⁾	6,530	17,413

⁽¹⁾ See “Cautionary Note Regarding Non-IFRS Measures” section of this MD&A.

Stock-based compensation

Stock-based compensation relates to the Company’s Performance Share Unit plan and Stock Option plan. A decrease to the Company’s stock price in fiscal 2020 resulted in a decrease to the expense related to the Performance Share Unit plan.

Amortization and depreciation

Amortization and depreciation is primarily related to the intangible assets acquired in the Clozaril and Absorica acquisitions. Amortization of the intangible asset related to Vascepa commenced in the first quarter of fiscal 2020.

Finance and related costs, net

Finance and related costs consist primarily of interest on the senior secured term, accreted interest related to debt issuance costs and long-term purchase consideration, and fair value adjustments related to financial instruments.

Interest on the senior secured term loan for the first three quarters decreased from \$4.5 million in fiscal 2019 to \$3.6 million in fiscal 2020. The reduction is due to both a lower principal balance and a lower interest rate in fiscal 2020.

A decrease in the Company’s share price in fiscal 2020 resulted in a decrease in the fair value of the Company’s lender warrants, and fair value adjustment income of \$7.0 million. The net settlement feature of the lender warrants dictates that they be treated as a liability with changes in fair value being recorded in the consolidated statement of net loss.

In fiscal 2019, the Company entered into a swap agreement to fix the LIBOR portion of the interest rate on remaining portion of the initial senior secured term loan at 1.453% for the remainder of the loan agreement. A decrease in the LIBOR in fiscal 2020 resulted in a fair value adjustment expense of \$3.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Base shelf prospectus

On May 15, 2020, the Company filed a short-form base shelf prospectus. The base shelf prospectus enables the Company to raise up to C\$250.0 million over the 25-month period that the base shelf prospectus is effective.

To date, no securities have been issued under the base shelf prospectus.

Capital structure

The Company's strategy is to acquire rights to late stage, post-clinical and commercial stage branded pharmaceutical products for the North American market. This includes acquisition or in-licensing of soon-to-be fileable or promotional stage branded pharmaceutical products in selected therapeutic areas and the acquisition of select established pharmaceutical products that meet certain financial criteria. This may occur through direct rights acquisitions or through the acquisition of specialty pharmaceutical companies. To execute this strategy, the Company may need to access the additional capacity under its senior secured term loan facility or seek other sources of financing.

The Company financed its initial acquisitions through a portion of the net proceeds of each of (i) a subscription receipt financing of \$170.0 million, (ii) a common share financing of \$30.0 million, and (iii) a senior secured term facility.

Senior secured term loan

On August 15, 2018, the Company entered into a senior secured term loan with a syndicate of bank lenders co-led by JPMorgan Chase Bank, N.A. and Silicon Valley Bank. The principal amount of the new senior secured term loan was \$100.0 million. In September 2020, the Company and its lenders amended the terms of the senior secured credit facility to provide an additional \$20.0 million in borrowing to finance the acquisition of a portfolio of royalty interests. In addition, there is a \$35.0 million revolving facility, available under similar terms, that is undrawn at September 30, 2020. The Company may also request to be provided with incremental loans, for a maximum additional loan amount of \$70.0 million to support acquisitions and other growth opportunities. The maturity date is August 15, 2023.

Interest on the new senior secured term loan accrues at a rate per annum equal to the sum of LIBOR plus a range of 2.75% to 4.0% depending on the leverage ratio of the Company at the time. In fiscal 2019, the Company entered into a swap agreement to fix the LIBOR portion of the rate at 1.453% on the remainder of the initial borrowing for the remainder of the loan agreement.

Under the terms of the senior secured term loan, the lenders have security over substantially all the assets of the Company.

The Company is required to repay principal starting at 5% of the principal amount in the first full year and increasing to 10% in the fifth year of the term. The Company may also be required to make additional payments from surplus cash flows or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the senior secured term loan, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at September 30, 2020, the Company was in compliance with all covenants.

The terms of the senior secured term loan permit the Company, under certain conditions, to pay a dividend and to repurchase shares.

As at September 30, 2020, the principal debt balance outstanding under the senior secured term facility was \$109.9 million.

Equity

In fiscal 2020, quarterly dividend of C\$0.05 per common share were declared on March 18, May 6, August 5 and November 4.

In the fourth quarter of fiscal 2020, the Company expects to redeem its outstanding preferred shares.

Cash flow

Cash flow from operating activities was \$3.5 million for fiscal 2020 compared with \$24.1 million in fiscal 2019. The decrease is attributable to the expenditures associated with the launch of Vascepa in fiscal 2020, including the purchase of inventory.

Investing activities for the current year relate to the acquisition of royalty interests in September 2020; costs associated with the PERSERIS, Trinomia and Vascepa rights; and ongoing quarterly payments associated with the acquisition of the Absorica marketing rights. The prior year includes costs associated with the PERSERIS, Trinomia and Vascepa rights; and the quarterly payment associated with the Absorica acquisition.

Financing activities in the current year include a drawdown of \$20.0 million to finance the royalty acquisition in September 2020 and the proceeds from the exercise of warrants, a quarterly dividend payment and a quarterly repayment of the senior secured term loan. Financing activities in the prior year include the proceeds from a public offering, as well as quarterly dividend and debt payments.

Financial position

As at September 30, 2020, the Company has cash of \$20.9 million and positive working capital. The Company believes that its cash balances and cash flow from operations will be sufficient to fund its operating activities for the ensuing twelve-month period. In addition, the currently undrawn revolver facility is available to the Company if needed.

Working capital items such as accounts receivable, accounts payable, accrued liabilities and provisions experienced fluctuations quarter-over-quarter related to seasonality and timing during 2020. However, these fluctuations were within normal ranges. Inventory balances increased from year end due in large part to the purchase of Vascepa inventory. Over the ensuing twelve-month period, the Company expects increases in all of these working capital items to reflect the growth in business requirements following the introduction of Vascepa in Canada in the first quarter of 2020.

Debt increased in the third quarter as the Company drew down on its senior secured term loan to finance the royalty acquisition, while other financial liabilities continue to decrease as the Company settles its acquisition-related obligations.

RELATED PARTY TRANSACTIONS

The following table sets out the compensation of the Company's key management personnel:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Short-term benefits	2,062	697	3,547	2,063
Stock-based compensation	(380)	359	23	896

Short-term benefits for the three and nine months ended September 30, 2020 include a retirement allowance of \$1.3 million paid to the Company's chief executive officer.

COMMITMENTS

There have been no material changes in the commitments undertaken by the Company since the year ended December 31, 2019, except as follows:

In the second quarter of fiscal 2020, the Company amended the agreement for the purchase of the Absorica marketing rights, which may reduce final purchase price by as much as \$3.7 million depending on the performance of Absorica from April to December 2020.

Pursuant to the royalty acquisition on September 30, 2020 referenced above, the Company has contingent obligations of up to \$10.0 million for regulatory milestones and \$18.5 million for commercial performance milestones, the timing and achievability of which cannot be determined at this time.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered an interest rate swap and foreign currency forward contracts to manage exposure to fluctuations in interest rates and the value between the Canadian dollar and the United States dollar. As at September 30, 2020, the fair value of the interest rate swap is a liability of \$3.0 million, while the fair value of the foreign exchange forward contracts is an asset of \$0.1 million, both of which are recognized on the balance sheet.

The Company has not entered into any off-balance sheet arrangements.

SUBSEQUENT EVENT

Normal course issuer bid

On November 5, 2020, the Company announced that the Exchange had accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid under which the Company may, if considered advisable, purchase for cancellation, from time to time over the next 12 months, up to an aggregate of 1,587,193 of its issued and outstanding common shares, being 5% of the issued and outstanding common shares as of October 30, 2020.

SELECTED QUARTERLY INFORMATION

	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Product sales				
Canada	7,023	7,479	6,875	7,383
United States	4,406	4,147	3,932	3,988
	11,429	11,626	10,807	11,371
Royalty revenue	2,508	2,264	1,798	1,758
Revenues	13,937	13,890	12,605	13,129
Adjusted EBITDA ⁽¹⁾	7,236	6,069	4,814	4,520
Net income (loss)	(12,220)	154	(6,474)	(1,733)
	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Product sales				
Canada	8,065	6,387	6,898	6,851
United States	4,909	4,275	4,495	4,257
	12,974	10,662	11,393	11,108
Royalty revenue	3,687	2,510	2,232	2,318
Revenues	16,661	13,172	13,625	13,426
Adjusted EBITDA ⁽¹⁾	11,191	8,257	8,105	8,045
Net income (loss)	369	(3,703)	(1,631)	(1,998)

⁽¹⁾ See “Cautionary Note Regarding Non-IFRS Measures” section of this MD&A.

In the fourth quarter of fiscal 2019, the Company recorded an expense of \$8.9 million related to the revaluation of its outstanding lender warrants.

In the first quarter of fiscal 2020, the Company recorded income of \$6.1 million related to the revaluation of its lender warrants and an expense of \$3.4 million related to the revaluation of its interest rate swap.

OUTSTANDING SHARE DATA

As at November 4, 2020, the Company had: 31,743,860 common shares outstanding; 3,654,736 preferred shares outstanding; 2,475,636 stock options outstanding (resulting in a maximum issuance of 2,475,636 common shares); and 802,911 warrants outstanding (resulting in a maximum issuance of 802,911 common shares).

RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk. The Company’s Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company’s policies on an ongoing basis to ensure that these risks are appropriately managed, including through the use of financial instruments where appropriate. Further discussion of the management of such risks is included in note 15 to the audited consolidated financial statements for the year ended December 31, 2019.

COVID-19 Pandemic

As previously discussed, the Company's business may be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The changing and rapidly-evolving effects of the COVID-19 pandemic – the duration, extent and severity of which are currently unknown – on investors, businesses, the economy, government bodies, society and the financial markets could, among other things, add volatility to the global stock markets and change interest rate environments. The COVID-19 pandemic and measures to prevent its spread may negatively impact the Company, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Company, including access to its products by patients, the Company's planned sales and marketing processes for its approved products and the Company's ability to source, evaluate and pursue acquisition opportunities; (ii) disrupting the Company's supply chain, including the manufacture and/or delivery of its products by third-party manufacturers on which the Company relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Company in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations; (vi) adversely affecting the Company's ability to comply with the covenants in its credit facility or requiring modifications to such covenants, for which there can be no assurance that such modifications would be provided; (vii) disrupting health care delivery; (viii) disrupting operations at Health Canada, which may result in delays in reviews and approvals, including with respect to products for which the Company has made or may make new drug submissions; (ix) disrupting operations at public or private payors and related agencies, such as CADTH, PMPRB, pCPA, which may result in delays in gaining access or reimbursement with respect to products for which the Company has made or may make submissions. At this point, the extent to which the COVID-19 pandemic will or may impact the Company is uncertain and these factors are beyond the Company's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Company's securities.

For a discussion of the additional risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated March 18, 2020 filed on SEDAR.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

A description of the Company's significant accounting policies is included in note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2019 and are unchanged as of the date of this MD&A.

The preparation of the Company's consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. A description of the Company's significant estimates, judgments and assumptions is included in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2019 and are unchanged as of the date of this MD&A.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and have designed such disclosure controls and procedures to provide reasonable assurance that material information with respect to the Company is made known to them and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal controls over financial reporting

The Company's management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined in NI 52-109 and have designed such ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

The control framework the Company's management used to design the Company's ICFR is set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There have been no changes in the Company's ICFR during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found in SEDAR at www.sedar.com.