MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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 audited consolidated financial statements of HLS for the year ended December 31, 2021. 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 March 16, 2022 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™, MyCare™ Psychiatry™, PERSERIS™, Trinomia® and Vascepa®, and royalty interests; 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 16, 2022, 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) "expense (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.

	Year ended December 31,	
	2021	**2020**
Net loss for the year	(13,117)	(15,331)
Stock-based compensation	2,354	2,531
Amortization and depreciation	30,264	33,186
Acquisition and transaction costs	169	709
Finance and related costs, net	5,355	4,012
Income tax expense (recovery)	1,309	(968)
Adjusted EBITDA	26,334	24,139

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 December 31, 2021, 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 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 in February 2020, ensuring that Vascepa was broadly available to all Canadian pharmacies through their usual pharmaceutical wholesalers within two weeks. To date, the Company has purchased $9.0 million of Vascepa inventory. 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.
- On March 29, 2021, the Company announced that the Canadian Cardiovascular Society included incosapent ethyl (Vascepa) in its 2021 Canadian Cardiovascular Society Guidelines for the Management of Dyslipidemia for the Prevention of Cardiovascular Disease in the Adult, published in the Canadian Journal of Cardiology. The icosapent ethyl recommendation was classified as "Strong Recommendation; High-Quality Evidence" and was supported by the results of the REDUCE-IT cardiovascular outcomes study. Vascepa is now included in the treatment guidelines or otherwise recommended for use by 16 medical associations worldwide, including American Diabetes Association; American Heart Association; National Lipid Association; American Association of Clinical Endocrinologists; American College of Endocrinology; Endocrine Society; European Society of Cardiology; European Atherosclerosis Society; Chinese Society of Cardiology; Japan Circulation Society; Brazilian Society of Cardiology, Thrombosis Canada and the Canadian Stroke Best Practices. Since March 31, 2021, Canadian private insurance plans representing more than 90% of the privately insured lives in Canada provide reimbursement for Vascepa.
- On August 16, 2021, the Company announced a promotional services agreement with Pfizer Inc. ("Pfizer") for the expansion of Vascepa promotion in Canada. Under the terms of the agreement, Pfizer deployed a team across Canada to support education about Vascepa with primary care physician groups, which started in late September 2021. The Company retains responsibility for Vascepa's commercialization in Canada and the Company's existing cardiovascular field personnel remain primarily focused on the specialist physician audience.

PERSERIS

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 is intended to complement the Company's CNS portfolio in Canada.

On November 17, 2020, the Company announced that Health Canada approved the use of PERSERIS for the treatment of schizophrenia in adults.

The Company made an initial upfront payment of $1.0 million in 2019 and a further payment of $2.5 million in 2021 resulting from achievement of a regulatory and pre-commercial milestone, with a remaining payment of $1.5 million to be made by 2023.

MyCare and MyCare Insite

On June 1, 2020, the Company entered into an agreement to distribute the MyCare Psychiatry Lab Assays and MyCare Insite point of care therapeutic drug-level monitoring tests in Canada.

On December 16, 2020, the Company announced that Health Canada approved the MyCare Psychiatry Lab Assay therapeutic drug-level monitoring tests in patients taking any of the six most common antipsychotic drugs. On July 21, 2021, Health Canada approved the MyCare Insite point of care therapeutic

drug monitoring system for use with clozapine patients. Health Canada approval for use with other common antipsychotic drugs is expected to follow in the next twelve months.

Trinomia

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. On December 16, 2020, the Company announced that it had received a notice of deficiency for its pending submission for Trinomia that Health Canada may require additional scientific information pertaining to safety and efficacy to support the approval of the application. In particular, Health Canada noted that there is an ongoing study using Trinomia and that a regulatory decision for Trinomia should await these study results. Accordingly, the Company has withdrawn its application from Health Canada so that it can be re-submitted following availability of the requested data.

Royalties

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.

Until December 2020, HLS also held the U.S. marketing rights to Absorica which, in effect, provided 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 2020, 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. During various periods in 2020 and 2021, the Company permitted 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 have been in effect. The Company expects to begin a phased return to office again late in the first quarter of 2022.

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 consolidated 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 fiscal 2021, 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 any 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 improving, the situation is dynamic and the long-term impact of COVID-19 and its variants on the Company's future 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

	Year ended December 31,	
	2021	**2020**
Revenue	60,009	56,109
Expenses		
Cost of product sales	3,972	3,625
Selling and marketing	14,660	12,900
Medical, regulatory and patient support	5,679	5,467
General and administrative	9,364	10,487
Realized gain on acquired royalty receivable	—	(509)
Adjusted EBITDA [(1)]	26,334	24,139
Stock-based compensation	2,354	2,531
Amortization and depreciation	30,264	33,186
Acquisition and transaction costs	169	709
Finance and related costs, net	5,355	4,012
Loss before income taxes	(11,808)	(16,299)
Income tax expense (recovery)	1,309	(968)
Net loss for the period	(13,117)	(15,331)
Net loss per share:		
Basic and diluted	$(0.41)	$(0.48)

	As at December 31, 2021	**As at December 31, 2020**
Cash and cash equivalents	21,179	20,612
Total assets	275,905	303,906
Total long-term debt and other liabilities	86,844	99,015
Total shareholders' equity	160,736	169,249

[(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

	Year ended December 31,	
	2021	2020
Product sales		
Canada	34,609	29,393
United States	16,013	16,265
	50,622	45,658
Royalty revenue	9,387	10,451
	60,009	56,109

Product sales

The Company's product sales grew by 11% in fiscal year 2021, led by the 18% growth in product sales in Canada, in a second year that was impacted by the COVID-19 pandemic and associated public health restrictions, particularly in the Company's operations in Canada. These results reflect the resiliency of the Company's Clozaril franchises in Canada and the United States as well as the continued expansion of Vascepa in Canada. The Company generated a record $50.6 million of product sales, comprising $34.6 million in product sales in Canada, an increase of $5.2 million versus the prior year period and $16.0 million in the U.S. market, down $0.3 million or 2% 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 and a growing market share. 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.

Through December 2021, the number of Clozaril patients in Canada grew by 2.5% year-over-year, including continued new patient initiation since the start of the COVID-19 pandemic as well as a growing number of CSAN Pronto implementations at key mental health institutions across Canada. The initial deployment of CSAN Pronto in the Canadian market was delayed by the COVID-19 pandemic impact on resources at healthcare institutions. The Company is making progress as it continues to work with leading mental health institutions across Canada to make this new blood testing system broadly available to Clozaril patients at an increasing number of sites. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

Clozaril net sales in Canada for the fiscal year 2021 were up 3% from the previous fiscal year, which reflected the impact of a 7% increase in the average exchange rate for the year. Of note, the pandemic introduced greater fluctuation in monthly and quarterly results resulting from changes in customer order patterns, including a notable increase in sales in 2020 due to additional trade inventory built up early in the pandemic. Over time the company expects Clozaril net sales growth to follow the growth in patients.

The Company achieved several important commercial milestones for Vascepa in the Canadian market including reimbursement by insurance plans representing more than 90% of privately insured lives in Canada and expansion of market coverage to include primary care physicians via a promotional services arrangement with Pfizer that began in late 2021. Vascepa was also recognized by the Canadian Cardiovascular Society by inclusion of strong recommendations for Vascepa in their updated guidelines, joining at least 18 other international medical societies recommending Vascepa. Despite the commercial challenges of launching Vascepa just before the global pandemic and all of the changes in commercial operations that this has entailed, Vascepa continues to consistently add additional prescribers and patients. This led to an increase of 299% in product sales related to Vascepa in fiscal 2021.

Total Clozaril product sales in the United States market declined 2% in fiscal year 2021. In the United States market, the Company conducted a pilot program in California (the "RSAP 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. The RSAP program was negatively impacted by the pandemic as new implementations were halted which resulted in a steady erosion of results which continued in 2021. For the base business outside the RSAP, an improvement in gross-to-net adjustments resulting from favorable adjustments related to government programs and favorable expired product returns offset the impact of volume erosion on this established unpromoted business.

Royalty revenues

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. The Company recorded an acquired accounts receivable of $2.0 million since the acquired interests included an entitlement to the royalties for the third quarter. The portfolio generated royalty revenues of $9.4 million in 2021, compared with $2.3 million in the fourth quarter of 2020 and a realized gain of $0.5 million as actual royalties received were in excess of the estimated receivable for the third quarter of 2020.

Fiscal 2021 also included Absorica royalties of $8.1 million prior to the Company's termination of its ownership of these marketing rights effective December 31, 2020. The Company had expected that the economic life of its rights would terminate by the end of 2020.

Operating expenses

	Year ended December 31,	
	2021	**2020**
Cost of product sales	3,972	3,625
Selling and marketing	14,660	12,900
Medical, regulatory and patient support	5,679	5,467
General and administrative	9,364	10,487
	33,675	32,479

Cost of product sales increased in fiscal year 2021 as a result of the expansion of Vascepa the impact of which was partially offset by a return to more historical levels of cost of product sales for Clozaril following additional cost of product sales in the prior year related to introducing CSAN Pronto and expanding the Clozaril product line-up to facilitate a wider range of dosing options, including obsolescence charges incurred as a result of the global pandemic.

Selling and marketing activities increased by $1.8 million in fiscal 2021 relative to the prior fiscal year, reflecting the additional support costs related to Vascepa in Canada, including the Vascepa primary care salesforce expansion at the end of the third quarter. Medical, regulatory and patient support activities increased modestly by $0.2 million relative to the prior year, largely as a result of increased costs for the clozapine registry in the US market. General and administrative costs decreased $1.1 million relative to the prior year, which included $1.3 million of costs in the third quarter of 2020 associated with the retirement of the Company's founding CEO. At a constant exchange rate, the total of these other operating expenses would have decreased by 3%, indicative of the Company's prudent control of costs, as most of these costs are incurred in Canadian dollars.

Adjusted EBITDA [(1)]

	Year ended December 31,	
	2021	**2020**
Adjusted EBITDA [(1)]	26,334	24,139

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

Adjusted EBITDA for the fiscal year 2021 increased by $2.2 million compared to the prior year as the growth of product sales in Canada due to the expansion of Vascepa exceeded the increase in operating expenses, including the increased costs of Vascepa promotion, as well as the decrease in royalty revenues compared with the prior year.

Stock-based compensation

Stock-based compensation relates to the Company's Performance Share Unit plan, Deferred Share Unit plan and Stock Option plan.

Amortization and depreciation

Amortization and depreciation is primarily related to the intangible assets acquired in various transactions since fiscal 2015. Amortization in fiscal 2020 included the final year of amortization of the Absorica intangible, while fiscal 2021 includes a full year of amortization on the royalty portfolio acquired in September 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 increased from $5.1 million in fiscal 2020 to $6.2 million in fiscal 2021. The increase is due to a higher principal balance since the Company increased its senior secured term loan by $20.0 million to finance the royalty acquisition at the end of the third quarter of 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 $5.3 million. The net settlement feature of the lender warrants determined that they be treated as a liability with changes in fair value being recorded in the consolidated statement of net loss. In the third quarter of fiscal 2021, the remaining lender warrants were exercised, and as a result there are no further fair value adjustments related to this financial instrument.

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. An increase in the LIBOR in fiscal 2021 resulted in a fair value adjustment income of $1.7 million related to this swap agreement, while a decrease in the LIBOR in fiscal 2020 resulted in a fair value adjustment expense of $2.9 million.

FOURTH QUARTER 2021

Product sales in Canada of $9.2 million increased by 21% in the fourth quarter of fiscal year 2021 compared to the same period in the prior year despite renewed public health restrictions in major markets within Canada in the fourth quarter of fiscal 2021 due to new variants of COVID-19. The number of Clozaril patients in Canada continued to grow in the quarter. Clozaril product sales in Canada in the fourth quarter of 2021 grew by 5% after including the positive impact of a 3% appreciation in the Canadian dollar in the period on the translation of Canadian results to U.S. dollars. Excluding the impact of trade inventory adjustments and the impact of the timing of deliveries around the year-end holidays on revenue recognition, Clozaril revenue growth in the quarter would have been consistent with the steady growth in patients. Vascepa product sales in the fourth quarter of 2021 increased by 147% over the same period in the previous year.

Total revenues for the quarter decreased by 5% or $0.8 million as a result of a $2.2 million decrease in total royalty revenues. Royalties increased from the diversified portfolio of royalty interests on global sales of four different products acquired on September 30, 2020, as the portfolio generated royalty revenues of $2.4 million in the quarter compared with the $2.3 million of royalty royalties generated by this portfolio in the same period of the prior year. However, the Company also recorded the final $2.3 million of Absorica royalty revenues in the year ago period prior to terminating its ownership of the Absorica marketing rights on December 31, 2020. The prior year period also included the Company's realized gain of $0.5 million gain on the estimated acquired royalties receivable at September 30, 2020.

The Company's operating expenses were $9.5 million in the fourth quarter of 2021, an increase of $1.3 million compared with the same period in the prior year. Increases in selling and marketing expenses, primarily to support the expansion of Vascepa primary care promotion in Canada, accounted for $1.1 million of the increase. There was also a small increase in medical, regulatory and patient support costs as a result of changes to the clozapine registry in the US market. General and administrative costs were flat while cost of product sales were modestly lower as charges in the year ago period were not recurring.

Adjusted EBITDA of $6.2 million in the fourth quarter of 2021 decreased $2.6 million from the same period in the prior period as the year ago period included $2.3 million in Absorica royalties that were terminated as of December 31, 2020, and a $0.5 million realized gain on the acquired receivable as part of the purchase of the royalty portfolio acquired on September 30, 2020. The balance of the Company's operating activities resulted in a net increase in Adjusted EBITDA of $0.2 million, despite pandemic restrictions and the increased cost of Vascepa promotion as a result of expansion to primary care physicians as part of the promotional services agreement with Pfizer.

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.

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 (the "NCIB"). On November 4, 2021, the Company announced that the Exchange had accepted the Company's notice of intention to renew its NCIB, 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 1,622,559 of its issued and outstanding common shares, being 5% of the issued and outstanding common shares as of October 26, 2021.

No common shares were purchased under the NCIB in fiscal 2020. During fiscal 2021, the Company purchased for cancellation 3,600 common shares at an average price of C$16.41 per common share.

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 or royalty interests 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 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 December 31, 2021. 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 principal amount 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 December 31, 2021, 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 December 31, 2021, the principal debt balance outstanding under the senior secured term facility was $97.1 million.

Equity

In fiscal 2021, quarterly dividend of C$0.05 per common share were declared in March, May, August and November.

In the first quarter of fiscal 2021, the Company redeemed its outstanding preferred shares.

Cash flow

Cash flow from operating activities was $16.4 million for fiscal 2021 compared with $9.3 million in fiscal 2020. The increase is attributable to the expansion of Vascepa in Canada, the continued resilience of Clozaril, both despite challenging market conditions, and steady reductions in working capital requirements, unlike the increase in working capital required in fiscal 2020 for the initial launch of Vascepa.

Investing activities for the current year relate to a pre-commercial milestone payment in the second quarter associated with the acquisition of the PERSERIS rights and the final purchase consideration associated with the Absorica marketing rights acquired in fiscal 2016. The prior year includes the acquisition of royalty interests in September 2020, as well as costs associated with the PERSERIS, Trinomia and Vascepa rights and the quarterly payments associated with the Absorica purchase consideration.

Financing activities in both the current and prior year include the proceeds from the exercise of warrants and stock options, quarterly dividend payments and regular repayments of the senior secured term loan. The prior year also includes a drawdown of $20.0 million to finance the royalty acquisition in September 2020.

Financial position

As at December 31, 2021, the Company had cash of $21.2 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 fiscal 2021. However, these fluctuations were within normal ranges.

Debt and other financial liabilities decreased in fiscal 2021 as the Company settled the remaining lender warrants and continues to pay down its senior secured term loan and settle other liabilities such as acquisition-related obligations.

RELATED PARTY TRANSACTIONS

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

	Year ended December 31,	
	2021	**2020**
Short-term benefits	2,747	4,096
Stock-based compensation	1,132	1,354

Short-term benefits for fiscal 2020 include a retirement allowance of $1.3 million paid to the Company's chief executive officer.

COMMITMENTS

The Company has the following undiscounted contractual obligations at December 31, 2021:

	On demand	Less than one year	One to five years	Greater than five years	Total
Accounts payable and accrued liabilities	—	10,596	—	—	10,596
Purchase consideration	—	—	1,500	—	1,500
Senior secured term loan	—	12,000	85,118	—	97,118
Leases	—	604	951	—	1,555
	—	23,200	87,569	—	110,769

For a description of these obligations, see note 10 of the audited consolidated financial statements for the year ended December 31, 2021.

In addition to the contractual payments in the table above, the Company will also pay interest on its senior secured term loan. Assuming no change in interest rates and using the principal balance as at December 31, 2021, the annual interest expense would be approximately $4.9 million over the remaining term of the loan.

The Company may also be required to pay contingent consideration related to the acquisition of intangible assets, as described in note 21 to the audited consolidated financial statements for the year ended December 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has used interest rate swaps 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 December 31, 2021, the fair value of the outstanding interest rate swap is a liability of $0.9 million, which is recognized on the balance sheet.

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

SELECTED QUARTERLY INFORMATION

	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Product sales				
Canada	7,833	8,912	8,619	9,245
United States	3,935	3,861	4,214	4,003
	11,768	12,773	12,833	13,248
Royalty revenue	2,546	2,172	2,227	2,442
Revenues	14,314	14,945	15,060	15,690
Adjusted EBITDA [(1)]	6,668	6,561	6,923	6,182
Net loss	(4,753)	(2,197)	(1,979)	(4,188)

	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Product sales				
Canada	7,479	6,875	7,383	7,656
United States	4,147	3,932	3,988	4,198
	11,626	10,807	11,371	11,854
Royalty revenue	2,264	1,798	1,758	4,631
Revenues	13,890	12,605	13,129	16,485
Adjusted EBITDA [(1)]	6,069	4,814	4,520	8,736
Net income (loss)	154	(6,474)	(1,733)	(7,278)

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

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.

In the fourth quarter of fiscal 2020, the Company recorded its last royalty revenues from its investment in Absorica and its first royalty revenues from its royalty acquisition completed in September 2020.

OUTSTANDING SHARE DATA

As at March 16, 2022, the Company had: 32,469,324 common shares outstanding and 3,060,607 stock options outstanding (resulting in a maximum issuance of 3,060,607 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 14 to the audited consolidated financial statements for the year ended December 31, 2021.

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 16, 2022 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, 2021 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, judgements and assumptions is included in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2021 and are unchanged as of the date of this MD&A.

Revenue recognition

Gross product sales are reduced by rebates, discounts, allowances and product returns given or expected to be given. These arrangements with purchasing organizations and other private and public payers are dependent upon the submission of claims after the initial recognition of the revenue. Accruals and provisions are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience. Because the amounts are estimated, they may not fully reflect the final outcome and the amounts are subject to change. Inputs into calculation of the accruals and provisions include contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. The remaining eligibility period for expired product returns is used to update the estimated provision for returns on a lot-by-lot basis. Future events could cause the assumptions on which the accruals are based to change and could affect the future results.

The recognition of royalty revenue may involve the use of estimates. In such cases, management will base its estimates on available market information and historical experience.

Amortization of long-lived assets

The amortization expense relating to long-lived assets, which include property, plant and equipment; product, marketing and distribution rights; and royalty interests, is determined using estimates relating to the useful economic lives of the related assets.

Impairment of long-lived assets

The Company tests the recoverability of its long-lived assets either: (i) when events or circumstances indicate that the carrying values may not be recoverable, or (ii) annually in the case of long-lived assets not yet brought into use. When such a test is performed management must make certain estimates regarding the Company's cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future periods.

Income taxes

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable income, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. To the extent that the assumptions used in the recoverability assessment change, there may be a significant impact on the consolidated financial statements of future periods.

Fair value of stock-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. The Company measures the cost of cash-settled transactions by reference to the fair value of the associated liability at each reporting date. Estimating fair value for stock-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the

expected life of the share option, volatility, yield, and forfeiture rates and making assumptions about them.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position, which include derivative financial instruments, cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

The Company's management evaluated the effectiveness of the Company's disclosure controls and procedures and concluded, as at December 31, 2021, that such disclosure controls and procedures were effective.

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").

The Company's management evaluated the effectiveness of the Company's ICFR and concluded, as at December 31, 2021, that such ICFR were effective.

There have been no changes in the Company's ICFR during the three months ended December 31, 2021 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.