MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2023

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 months ended March 31, 2023 and the audited consolidated financial statements of HLS for the year ended December 31, 2022. 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 May 10, 2023 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. References to LIBOR in this MD&A refer to the London Inter-Bank Offered Rate or its replacement.

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 15, 2023, 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) "finance and related costs", (iv) "transaction and other costs", and (v) "income tax expense (recovery)" 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 March 31,	
	2023	**2022**
Net loss for the period	(5,792)	(3,616)
Stock-based compensation	(55)	815
Amortization and depreciation	8,319	8,387
Finance and related costs, net	2,434	320
Transaction and other costs	213	345
Income tax expense (recovery)	(40)	65
Adjusted EBITDA	5,079	6,316

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

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. In addition, the Company has rights in 25 patents and patent applications covering Vascepa, 16 of which are issued and 9 are pending. Of the 16 issued patents, 12 are currently listed on Health Canada's Patent Register, the last of which expires in 2039.
- 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.
- 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.
- On April 26, 2022, the Company announced completion of a Letter of Intent with the pan-Canadian Pharmaceutical Alliance for the confidential terms and conditions for reimbursement for Vascepa by all Canadian provincial, territorial and federal government drug plans.
- Subsequent to the completion of the Letter of Intent, there have been a series of public listing announcements.
    - On May 24, 2022, the Company announced that it had obtained public reimbursement for Vascepa in Quebec.
    - In June, New Brunswick became the first Atlantic province with a public drug plan that reimburse Vascepa.
    - On July 25, 2022, the Company announced that Vascepa was reimbursed by Ontario's Provincial Drug Plan effective July 21, 2022.
    - On August 2, 2022, the Company announced that the Saskatchewan Drug Plan became the first Western Canadian provincial drug plan to reimburse Vascepa.

- To date, Vascepa is now reimbursed by public drug plans covering approximately 70% of publicly insured Canadians. Vascepa is also covered for more than 95% of privately insured Canadians for the full in-label indication.

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 2024. The Company has also capitalized eligible development costs related to bringing this product to market.

In June 2022, the pan-Canadian Pricing Alliance announced that negotiations had concluded without an agreement with respect to public market reimbursement despite an earlier positive listing recommendation from CADTH. This decision will cause a delay in the commercialization of PERSERIS as listing discussions will need to be pursued with individual provinces. As a result, the Company recorded an impairment charge of $3.1 million in the second quarter of fiscal 2022.

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 ("TDM") 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. The TDM technology is being introduced first in the medical laboratory environment and the benefits are being disseminated to clinicians in parallel.

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 was an ongoing study using Trinomia and that a regulatory decision for Trinomia should await these study results. Accordingly, the Company withdrew its application from Health Canada so that it could be re-submitted following availability of the requested data. The study was completed successfully and results were released at the European Society of Cardiology Congress on August 26, 2022. The Company met with Health Canada in March 2023 to discuss the positive trial results and is working with its licensor to prepare an updated application for submission to Health Canada later in fiscal 2023.

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, three of which were already being commercialized. On June 28, 2022, the fourth product received regulatory approval in Europe, resulting in a $10.0 million regulatory approval milestone payment that was made in July 2022. This product was also approved in Japan in March 2022 and the United States in August 2022 and commercial sales began in the third quarter of fiscal 2022.

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.

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 March 31,	
	2023	**2022**
Revenue	14,757	14,556
Expenses		
Cost of product sales	1,444	953
Selling and marketing	4,807	3,829
Medical, regulatory and patient support	1,076	1,276
General and administrative	2,351	2,182
Adjusted EBITDA [(1)]	5,079	6,316
Stock-based compensation	(55)	815
Amortization and depreciation	8,319	8,387
Finance and related costs, net	2,434	320
Transaction and other costs	213	345
Loss before income taxes	(5,832)	(3,551)
Income tax expense (recovery)	(40)	65
Net loss for the period	(5,792)	(3,616)
Net loss per share:		
Basic and diluted	$(0.18)	$(0.11)

	As at March 31, 2023	**As at December 31, 2022**
Cash and cash equivalents	21,214	20,723
Total assets	234,155	241,652
Total long-term debt and other liabilities	84,405	84,578
Total shareholders' equity	118,891	125,318

[(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 March 31,	
	2023	**2022**
Product sales		
Canada	8,811	8,403
United States	3,212	3,443
	12,023	11,846
Royalty revenue	2,734	2,710
	14,757	14,556

The Company's revenues of $14.8 million in the first quarter of fiscal year 2023 were up $0.2 million or 1% over the same period in 2022. In constant currency terms, total revenues for the quarter would have been $15.3 million, up 5%, over the prior year, as the decline in the Canadian dollar had an impact on the values reported by the Company in U.S. dollars.

Product sales

Product sales in the first quarter of 2023 were seasonally weaker again this year. Unrelated to underlying patient demand, product sales in the first quarter of the fiscal year are typically lighter due to trade practices that result in additional trade inventories being carried over into the new year resulting in slower replenishment in first months of the year while inventory levels adjust back down.

Led by the growth of Vascepa, the Company's Canadian product sales of C$11.9 million increased by 12% in local currency in the first quarter of fiscal 2023 compared to the same period last year. A 6% decline in the value of the Canadian dollar resulted in a growth rate of 5% as reported in U.S. dollars.

In Canadian dollars, Vascepa sales were C$3.5 million for the first quarter of fiscal 2023 compared to C$2.5 million the previous year, an increase of 43% from the same period last year. Translated to U.S. dollars, the year-over-year increase was 34%, reflecting the unfavorable exchange rate variance. Continued growth of Vascepa was led by growth in the larger provinces where listing agreements are in place with the provincial public drug plans. The Company entered into a Letter of Intent with the pan-Canadian Pharmaceutical Alliance in April 2022 for reimbursement of Vascepa by all public payors in Canada on confidential terms and conditions. In total, Vascepa is now covered by public drug plans representing approximately 70% of the publicly covered lives, in addition to insurance coverage for more than 95% of privately insured Canadians in-label for Vascepa. Significantly expanded coverage, a simplified reimbursement message and an expanded salesforce increasing its detailing reach and frequency to primary care physicians is expected to have a growing impact on product sales in subsequent quarters.

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.

Deployment of CSAN Pronto continued to expand to additional key centers with the number of devices in service growing during the quarter. To date, CSAN Pronto has been deployed with 120 customer locations, up 12% from 107 at the end of 2022 and up 90% from 63 at the same point last year. The Company expects continued progress making this new blood testing system broadly available to Clozaril patients at an increasing number of sites at leading mental health institutions across Canada. The number of patients benefiting from this device in the first quarter of this year increased 75% over the same period last year. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

Canadian Clozaril net sales results for the quarter were up 3% in Canadian dollars, consistent with modest growth in aggregate patient levels enrolled in the CSAN program. On translation to U.S. dollars, the stable underlying results correspond to a decline of 4% for reporting purposes due to the erosion of the Canadian dollar over this period. Over time the Company expects Clozaril net sales growth in local currency to follow the growth in patients.

For the US Clozaril market, first quarter 2023 net sales of $3.2 million were down $0.2 million or 7% from the same period last year. Small increases in units sold and the continued impact of higher gross sales from the price increase implemented mid-year 2022 resulted in higher gross revenues, but these benefits were outweighed by larger one-time benefits related to expired product returns in the year ago period.

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 royalty revenues of $2.7 million for the first quarter 2023, which includes estimated royalties from all four products in the royalty portfolio as the last product was introduced in a number of markets last year.

Operating expenses

	Three months ended March 31,	
	2023	**2022**
Cost of product sales	1,444	953
Selling and marketing	4,807	3,829
Medical, regulatory and patient support	1,076	1,276
General and administrative	2,351	2,182
	9,678	8,240

The growth in Vascepa shipments is the largest driver of the 52% increase in Cost of product sales, with the net increase partially offset by favorable positive purchasing and manufacturing variances.

Other operating expenses increased by 13% or $0.9 million, driven by the 26% increase in Selling and marketing expenses, mainly for Vascepa.

Adjusted EBITDA [(1)]

	Three months ended March 31,	
	2023	**2022**
Adjusted EBITDA [(1)]	5,079	6,316

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

Adjusted EBITDA of $5.1 million for the first quarter of 2023 was down $1.2 million from the same period last year as operating expenses increased by $1.4 million as a result of higher Selling and marketing and Cost of product sales for Vascepa. While Canadian product sales increased 12% in Canadian dollar terms, the 6% decline in the Canadian dollar exchange rate brought that growth down to 5% or $0.4 million in reported U.S. dollars, which was partly offset by the $0.2 million decrease in US Clozaril net sales.

Stock-based compensation

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

Amortization and depreciation

Amortization and depreciation is primarily related to the intangible assets acquired in various transactions since fiscal 2015.

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.

An increase in interest rates resulted in a favorable fair value adjustment of $1.5 million related to the Company's interest rate swap in the first quarter of fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

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.

Credit agreement

On August 15, 2018, the Company entered into a credit agreement with a syndicate of bank lenders administered by JPMorgan Chase Bank, N.A. The principal amount of the senior secured term loan under the credit agreement 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. 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 original maturity date was August 15, 2023. In September 2022, the Company and its lenders amended the terms of the senior secured credit facility to extend the maturity date by one year to August 15, 2024. The principal amount of the senior secured term loan outstanding as at March 31, 2023 was $87.5 million.

In addition to the senior secured term loan, there is a revolving facility, available under similar terms, with a maturity date of August 15, 2023. In July 2022, the Company drew $10.0 million on the revolving facility to settle a regulatory milestone. As at March 31, 2023, the balance on the revolver facility was $7.8 million, with $26.5 million remaining available.

Under the original terms, the Company was 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. Under the amended terms noted above, the required annual principal repayment returned to a 5% amortization based on the September 2022 principal balance.

The Company may 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.

Interest on borrowings under the credit agreement 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. The Company has a swap agreement in place to fix the LIBOR portion of the rate at 1.453% on the remainder of the initial principal amount for the remainder of the original loan agreement.

Under the terms of the credit agreement, the lenders have security over substantially all the assets of the Company.

Under the terms of the credit agreement, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at March 31, 2023, the Company was in compliance with all covenants.

The terms of the credit agreement permit the Company, under certain conditions, to pay dividends and to repurchase shares.

Return of Capital

The Company's capital management objectives include the flexibility to return capital to shareholders through the Company's dividend policy and its Normal Course Issuer Bid ("NCIB").

During the first quarter of fiscal 2023, the Company purchased for cancellation 26,700 common shares at an average price of C$9.28 per common share for total consideration of $0.2 million.

The Company's dividend policy has been to declare quarterly dividends of C$0.05 per common share. In fiscal 2023, a quarterly dividend of C$0.05 per common share was declared in March for payment on June 15, 2023.

On May 10, 2023, the Company's Board of Directors cancelled the Company's dividend policy such that share repurchases, through the NCIB, are now the Company's vehicle for returning capital to shareholders. At current HLS share prices, the Company sees increased share repurchases as an appropriate allocation of capital.

Cash flow

Cash flow from operating activities was $4.0 million for the first quarter of fiscal 2023 compared with $5.8 million in fiscal 2022, reflecting continued strong operating results tempered by increasing Vascepa costs.

Investing activities were insignificant in both the current and prior year.

Financing activities in both the current and prior year includes the quarterly dividend payment and quarterly repayment of the credit facility.

Financial position

As at March 31, 2023, 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 undrawn portion of the revolving facility is available to the Company if needed.

As a result of the September 2022 amendment of the credit agreement, the required amortization of the senior secured term loan was reduced by $1.9 million per fiscal quarter through the balance of the initial term providing additional working capital flexibility.

Working capital items such as accounts receivable, inventory, accounts payable, accrued liabilities and provisions experienced fluctuations quarter-over-quarter related to seasonality and timing during fiscal 2023. However, these fluctuations were within normal ranges.

COMMITMENTS AND CONTINGENCIES

There have been no material changes in the commitments undertaken or contingencies faced by the Company since the year ended December 31, 2022.

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 March 31, 2023, the fair value of the outstanding interest rate swap is an asset 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

	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Product sales				
Canada	9,527	9,570	9,442	8,811
United States	3,718	3,590	3,991	3,212
	13,245	13,160	13,433	12,023
Royalty revenue	2,287	2,544	2,242	2,734
Revenues	15,532	15,704	15,675	14,757
Adjusted EBITDA [(1)]	6,158	6,016	5,337	5,079
Net loss	(9,143)	(4,410)	(6,429)	(5,792)

	2021 Q2	2021 Q3	2021 Q4	2022 Q1
Product sales				
Canada	8,912	8,619	9,245	8,403
United States	3,861	4,214	4,003	3,443
	12,773	12,833	13,248	11,846
Royalty revenue	2,172	2,227	2,442	2,710
Revenues	14,945	15,060	15,690	14,556
Adjusted EBITDA [(1)]	6,561	6,923	6,182	6,316
Net income (loss)	(2,197)	(1,979)	(4,188)	(3,616)

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

In the second quarter of fiscal 2022, the Company recorded an intangible impairment charge of $3.1 million and a restructuring charge of $1.3 million.

OUTSTANDING SHARE DATA

As at May 10, 2023, the Company had: 32,350,523 common shares outstanding and 3,056,323 stock options outstanding (resulting in a maximum issuance of 3,056,323 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, 2022.

For a discussion of the additional risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated March 15, 2023 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, 2022 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, 2022 and are unchanged as of the date of this MD&A, except as follows:

The Company has determined that the useful life of the intangible asset associated with the Vascepa distribution rights is longer than originally estimated when amortization commenced in fiscal 2020. The Company has determined that the expected pattern of consumption of future economic benefit extends to at least fiscal 2039. Accordingly, the Company has concluded that there are at least 17 years of useful life remaining in the Vascepa distribution rights. The Company will continue to review this assumption as additional information becomes available. The impact of this change in estimate is to reduce amortization expense by $0.3 million in the first quarter of fiscal 2023 and by approximately $1.3 million on an annual basis.

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 March 31, 2023 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.