MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 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 audited consolidated financial statements of HLS for the year ended December 31, 2023. 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 13, 2024 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 13, 2024, which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

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, net", (iv) "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 December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Net loss for the period	(5,401)	(6,429)	(27,531)	(23,598)
Stock-based compensation	(601)	752	(538)	2,922
Amortization and depreciation	7,047	8,692	31,939	34,402
Finance and related costs, net	2,109	2,188	11,237	5,040
Other costs	2,111	229	6,217	5,185
Income tax expense (recovery)	75	(95)	(272)	(124)
Adjusted EBITDA	5,340	5,337	21,052	23,827

OVERVIEW

HLS is a Canadian-based North American specialty pharmaceutical company focused on addressing unmet needs in the treatment of psychiatric disorders and cardiovascular disease. 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 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 a growing number of patents and patent applications related to Vascepa. Of the many patents issued, 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 icosapent 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.
- 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. In October 2023, the promotional services agreement was amended to increase productivity of efforts with primary care prescribers with the highest potential and to realize cost efficiencies starting in 2024. The Company retains responsibility for Vascepa's commercialization in Canada and the Company's 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 2022, 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.

    - On July 6, 2023, British Columbia Pharmacare announced that, despite participation in the Letter of Intent, it had not been able to complete a product listing agreement for reimbursement of Vascepa. Subsequently, the Company re-entered discussions with provincial authorities resulting in a product listing agreement being signed in early 2024.
    - On February 6, 2024, the Company announced that it had entered into a product listing agreement with the province of British Columbia for the listing and public reimbursement of Vascepa.
- To date, Vascepa is now reimbursed by public drug plans covering approximately 85% of publicly insured Canadians. Vascepa is also covered for more than 95% of privately insured Canadians for the full in-label indication.

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.

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.

As at December 31, 2023, two of the acquired royalties have reached the end of their useful lives.

Other products

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 was intended to complement the Company's neuroscience 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 also capitalized eligible development costs related to bringing this product to market.

In June 2022, the pan-Canadian Pharmaceutical 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 caused a delay in the commercialization of PERSERIS as listing discussions would 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.

In the second quarter of fiscal 2023, the Company concluded that it was no longer likely that it would succeed in obtaining product listing agreements in these provinces on commercially viable terms. As a

result, the Company decided to not pursue commercialization of PERSERIS any further and recorded an impairment charge of $2.4 million, primarily representing the remaining carrying amount of the intangible asset.

In 2017, the Company entered into a license agreement to commercialize and distribute Trinomia in Canada contingent on achieving certain regulatory milestones. 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 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.

In the fourth quarter of fiscal 2023, the Company concluded that it was no longer commercially viable to pursue bringing this product to market. Accordingly, the Company recorded an impairment charge of $1.5 million, representing the unamortized carrying amount of the intangible asset.

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 December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenue	15,863	15,675	63,074	61,467
Expenses				
Cost of product sales	2,533	1,517	7,624	4,981
Selling and marketing	4,716	5,169	19,896	17,846
Medical, regulatory and patient support	1,386	1,606	5,574	5,727
General and administrative	1,888	2,046	8,928	9,086
Adjusted EBITDA [(1)]	5,340	5,337	21,052	23,827
Stock-based compensation	(601)	752	(538)	2,922
Amortization and depreciation	7,047	8,692	31,939	34,402
Finance and related costs, net	2,109	2,188	11,237	5,040
Other costs	2,111	229	6,217	5,185
Loss before income taxes	(5,326)	(6,524)	(27,803)	(23,722)
Income tax expense (recovery)	75	(95)	(272)	(124)
Net loss for the period	(5,401)	(6,429)	(27,531)	(23,598)
Net loss per share:				
Basic and diluted	$(0.17)	$(0.20)	$(0.85)	$(0.73)

	As at December 31, 2023	As at December 31, 2022
Cash and cash equivalents	21,952	20,723
Total assets	209,060	241,652
Total long-term debt and other liabilities	84,233	84,578
Total shareholders' equity	97,697	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 December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Product sales				
Canada	10,464	9,442	39,219	36,942
United States	3,835	3,991	13,515	14,742
	14,299	13,433	52,734	51,684
Royalty revenue	1,564	2,242	10,340	9,783
	15,863	15,675	63,074	61,467

The Company's revenues of $15.9 million in the fourth quarter of fiscal year 2023 and $63.1 million for the full year represent an increase of 1% and 3%, respectively, over the same periods in fiscal 2022.

Product sales – Canada

000's of CAD	Three months ended December 31,			Year ended December 31,		
	2023	**2022**	**% change**	**2023**	**2022**	**% change**
Clozaril	9,131	9,195	(0.7)%	35,160	35,776	(1.7)%
Vascepa	5,118	3,605	42.0%	17,779	12,325	44.3%
Other	11	6		27	6	
	14,260	12,806	11.4%	52,966	48,107	10.1%

Vascepa sales growth resulted in the Company's Canadian product sales increasing by 11% in Canadian dollars to C$14.3 million in the fourth quarter of fiscal 2023 compared to the same period last year. For fiscal 2023, Canadian product sales increased by 10% to C$53.0 million, up from C$48.1 million in the prior year. A decline in the value of the Canadian dollar resulted in a growth rate of 6% as reported in U.S. dollars.

In Canadian dollars, Vascepa sales were C$5.1 million for the fourth quarter of fiscal 2023 compared to C$3.6 million the previous year, an increase of 42% from the same period last year. Revenue growth in the quarter was driven primarily by a reduction in the patient authorization backlog in Ontario and solid sequential and year-over-year growth in new patient initiations. Demand growth came from both private and public payer segments, with a higher rate of growth from the public segment in the fourth quarter and the fiscal year, due in part to a full year in 2023 of public reimbursement in Canada's largest provinces – Ontario and Quebec and the improvements in patient authorization backlog in Ontario in the fourth quarter of 2023.

Subsequent to year end, HLS announced that it entered into a Product Listing Agreement ("PLA") with the province of British Columbia ("BC"), for the listing and public reimbursement of Vascepa. The PLA with BC PharmaCare became effective February 6, 2024.The PLA with BC PharmaCare also paved the way for Vascepa to be reimbursed by Pacific Blue Cross, which provides healthcare benefits for approximately 40% of the privately insured lives in BC. The Pacific Blue Cross reimbursement process for Vascepa was also completed in February. In total, Vascepa is now covered by public drug plans representing

approximately 85% of the publicly covered lives, in addition to insurance coverage for more than 95% of privately insured Canadians in-label for Vascepa. Expanded payor coverage, a simplified reimbursement process and a considerable field presence targeting efforts to specialist and primary care physicians is expected to have a growing impact on product sales in subsequent quarters.

Fourth quarter revenues for Clozaril in Canada were C$9.1 million, up C$0.2 million or 2% from the previous quarter and virtually unchanged from the same period a year ago. Full year Clozaril net sales of C$35.2 million are 2% below the C$35.8 million recorded in the same period a year ago.

Clozaril in Canada is supported by a comprehensive network of HLS employees including the Clozaril Support and Assistance Network ("CSAN"), that continue to maintain Clozaril as the market-leading therapeutic for treatment-resistant schizophrenia with a growing number of patients and a market share that has grown through the pandemic and despite the impact of Quebec's Bill 92 on our ability to attract new Clozaril patients in Quebec. Over time the Company expects Clozaril net sales growth in local currency to follow the growth in patients.

Product sales – United States

For the US Clozaril market, fourth quarter fiscal 2023 net sales of $3.8 million were up 17% from the $3.3 million in net sales in the previous quarter but were down $0.2 million from the same period last year. For the full year, revenues of $13.5 million in fiscal 2023 represents an 8% decrease from the prior year. Results remain resilient as modest erosion in unit volumes was partially offset by annual price increases. While key fundamentals remain in place, year over year results for the quarter and year-to-date periods reflect a $0.6 and $1.3 million benefit, respectively, in the year ago periods related to expired product returns.

Royalty revenues

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. Three of the products have been commercial since the Company's acquisition of the portfolio, with the fourth product being introduced in a number of markets last year. Royalty revenues increased in fiscal 2023 for the full year as four products were contributing from the beginning of the year, however royalty revenues declined in the fourth quarter of fiscal 2023 relative to the prior year as the royalty period for one of the original products came to an end midway through the fourth quarter.

Operating expenses

	Three months ended December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Cost of product sales	2,533	1,517	7,624	4,981
Selling and marketing	4,716	5,169	19,896	17,846
Medical, regulatory and patient support	1,386	1,606	5,574	5,727
General and administrative	1,888	2,046	8,928	9,086
	10,523	10,338	42,022	37,640

The growth in Vascepa shipments is the primary driver of the increase in cost of product sales for both the quarter and full year results. In addition, the fourth quarter of fiscal 2023 includes a provision of $0.5 million against inventory.

For fiscal 2023, selling and marketing expenses were up compared to the prior year primarily due to Vascepa primary care sales programs while both medical, regulatory and patient support costs and general and administrative costs were down slightly as compared to the prior year.

Adjusted EBITDA [(1)]

	Three months ended December 31,		Year ended December 31,	
	2023	**2022**	**2023**	**2022**
Adjusted EBITDA [(1)]	5,340	5,337	21,052	23,827

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

Adjusted EBITDA of $5.3 million in the fourth quarter of 2023 was essentially unchanged from the prior year.

For fiscal 2023, adjusted EBITDA of $21.1 was $2.8 million lower than prior year as revenues increased by $1.6 million while cost of product sales increased by $2.6 million as a result of Vascepa sales growth, and other operating costs increased by $1.7 million led by additional selling and marketing costs, primarily for Vascepa.

For fiscal 2023, the direct brand contribution from Clozaril to Adjusted EBITDA was $29.7 million, while the direct brand contribution from Vascepa to Adjusted EBITDA was a loss of $9.2 million.

Stock-based compensation

Stock-based compensation relates to the Company's Stock Option Plan, Performance Share Unit plan, and Deferred Share Unit plan. A lower share price and the forfeiture and redemption of units has resulted in lower stock-based compensation expense in fiscal 2023.

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 borrowings under the credit agreement, accreted interest related to debt issuance costs, and fair value adjustments related to financial instruments, including $1.8 million related to consideration in fiscal 2023.

Other costs

In fiscal 2023, the Company recorded impairment charges of $3.9 million related to the decision to not pursue commercialization of PERSERIS and Trinomia any further and $2.0 million in reorganization costs associated with changes to the leadership of the Company, in particular the appointments of a new Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer. Other costs in fiscal 2022 included a partial impairment of PERSERIS of $3.1 million and reorganization costs of $1.3 million.

OUTLOOK FOR FISCAL 2024

HLS is targeting 2024 consolidated revenue of $63.5-66.5 million, or 1-5% growth. This consists of revenue from its marketed products (Vascepa and Clozaril) of $60.5-62.5 million, or 15-19% growth, and revenue from its royalty portfolio of $3-4 million, a 60-70% decline. Top-line growth from the Company's marketed products is therefore expected to more than offset the decline in royalty revenue.

Vascepa revenue is expected to be in a range of $20.5-22.5 million (C$27.5-30 million), an increase of 55-70% over 2023, while Clozaril is expected to generate revenue of approximately $40 million, an increase of 1–2% over 2023. The Company also expects Vascepa to make a positive contribution to Adjusted EBITDA, starting in the fourth quarter of this year.

HLS is targeting 2024 consolidated Adjusted EBITDA that is flat compared to 2023 as product-related Adjusted EBITDA growth is projected to fully offset the significant decline in royalties. The Company will pursue this goal through a combination of top-line growth and cost management. HLS expects non-royalty related Adjusted EBITDA driven by its marketed products to increase by approximately 60% over 2023. The royalty portfolio is expected to contribute just $3-4 million to Adjusted EBITDA in 2024 compared to more than $10 million in 2023.

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 original maturity date of the credit agreement was August 15, 2023. In September 2022, the Company and its lenders amended the terms of the credit agreement to extend the maturity date of the senior secured term loan portion of the credit agreement by one year to August 15, 2024.

On August 14, 2023, the Company announced an extension to its agreement, which comprises a senior secured term loan, a revolver facility and an expansion facility, (the "Amended Agreement") with a syndicate of bank lenders still led by JPMorgan Chase Bank, N.A.

Under the terms of the Amended Agreement, the maturity date has been extended to August 11, 2026. The balance on the revolver facility at the time of the amendment was combined with the principal amount remaining on the existing senior secured term loan for a new senior secured term loan balance of $93.8 million. In addition, there is a new revolving facility of $30.0 million and an expansion facility of up to $70.0 million to support acquisitions and other growth opportunities.

Interest rates under the Amended Agreement are essentially unchanged at Adjusted Secured Overnight Financing Rate ("SOFR") plus a range of 2.75% to 4.25% depending on the leverage ratio of the Company at the time. In fiscal 2019, the Company entered into a swap agreement to fix what was at the time the LIBOR portion of the rate on the remainder of the initial principal amount at 1.453%. The swap agreement expired in August 2023.

The required annual principal repayment under the Amended Agreement is a 5% amortization based on the new principal balance of $93.8 million.

The principal amount of the senior secured term loan outstanding as at December 31, 2023 was $88.5 million.

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.

Under the terms of the credit agreement, the lenders have security over substantially all of 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 December 31, 2023, the Company was in compliance with the financial covenants.

The terms of the credit agreement permit the Company, under certain conditions, to return capital to shareholders through dividends and share repurchases.

Subsequent to year end, the Company amended the terms of its credit agreement to modify certain covenant ratios. This was done to provide the Company with operating flexibility while revenue for Vascepa continues to ramp up in fiscal 2024 and while royalty revenues begin to grow again into fiscal 2024.

Under the terms of the amendment, the Company's revolving facility has been reduced to $25.0 million from $30.0 million. Allowable restricted payments, which include NCIB purchases, are expected to be capped at approximately $2.5 million in fiscal 2024. Interest on borrowings under the Amended Agreement accrues at a rate per month equal to the sum of the SOFR plus a range of 2.75% to 4.75% depending on the leverage ratio of the Company at the time. The Company's expansion facility of up to $70.0 million to support growth opportunities remains in place.

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 fiscal 2023, the Company purchased for cancellation 397,269 common shares at an average price of C$5.27 per common share for total consideration of $1.6 million.

The Company's dividend policy had 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 and paid 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 is now the Company's vehicle for returning capital to shareholders. At its current share price, the Company sees increased share repurchases as an appropriate allocation of capital.

Cash flow

Cash flow from operating activities was $15.8 million for fiscal 2023 compared with $16.9 million for fiscal 2022, reflecting continued strong operating results tempered by increased Vascepa costs.

Investing activities were insignificant in the current year-to-date period, while the prior year includes a $10.0 million royalty milestone payment.

Financing activities in both the current and prior year includes the return of capital to shareholders, through quarterly dividend payments and share buybacks, and quarterly repayments of the credit facility.

The prior year also includes a drawdown on the credit facility to finance the royalty milestone payment noted above.

Financial position

As at December 31, 2023, the Company had cash of $22.0 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.

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.

RELATED PARTY TRANSACTIONS

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

	Year ended December 31,	
	2023	**2022**
Short-term benefits	2,045	2,154
Stock-based compensation	184	1,434
Reorganization costs	2,022	1,340
	4,251	4,928

COMMITMENTS AND CONTINGENCIES

The Company has the following undiscounted contractual obligations at December 31, 2023:

	On demand	Less than one year	One to five years	Greater than five years	Total
Accounts payable and accrued liabilities	—	14,107	—	—	14,107
Purchase consideration	—	1,500	—	—	1,500
Credit facility	—	4,692	83,792	—	88,484
Leases	—	466	506	—	972
	—	20,765	84,298	—	105,063

For a description of these obligations, see note 10 of the audited consolidated financial statements for the year ended December 31, 2023.

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, 2023, the annual interest expense would be approximately $8.4 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 notes 7 and 22 to the audited consolidated financial statements for the year ended December 31, 2023.

A regulatory milestone was achieved in the second quarter of fiscal 2022 with respect to the fiscal 2020 acquisition of the royalty portfolio, resulting in an obligation of $10.0 million that was paid in the third quarter of fiscal 2022. This milestone had previously been disclosed as a contingent liability.

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, 2023, the fair value of outstanding derivative financial instruments is an asset of nominal value, which is recognized on the balance sheet.

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

SELECTED QUARTERLY INFORMATION

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Product sales				
Canada	8,811	9,791	10,153	10,464
United States	3,212	3,179	3,289	3,835
	12,023	12,970	13,442	14,299
Royalty revenue	2,734	3,447	2,595	1,564
Revenues	14,757	16,417	16,037	15,863
Adjusted EBITDA [(1)]	5,079	5,505	5,128	5,340
Net loss	(5,792)	(9,437)	(6,901)	(5,401)

	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Product sales				
Canada	8,403	9,527	9,570	9,442
United States	3,443	3,718	3,590	3,991
	11,846	13,245	13,160	13,433
Royalty revenue	2,710	2,287	2,544	2,242
Revenues	14,556	15,532	15,704	15,675
Adjusted EBITDA [(1)]	6,316	6,158	6,016	5,337
Net income (loss)	(3,616)	(9,143)	(4,410)	(6,429)

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

In the fourth quarter of fiscal 2023, the Company recorded an impairment charge of $1.5 million and reorganization costs of $0.6 million.

In the third quarter of fiscal 2023, the Company recorded a fair value charge of $1.8 million related to contingent consideration.

In the second quarter of fiscal 2023, the Company recorded an impairment charge of $2.4 million and reorganization costs of $1.5 million.

In the second quarter of fiscal 2022, the Company recorded an impairment charge of $3.1 million and reorganization costs of $1.3 million.

OUTSTANDING SHARE DATA

As at March 13, 2024, the Company had: 31,921,347 common shares outstanding and 3,535,903 stock options outstanding (resulting in a maximum issuance of 3,535,903 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, 2023.

For a discussion of the additional risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated March 13, 2024 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 3 of the Company's audited consolidated financial statements for the year ended December 31, 2023 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, 2023 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. Provisions are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on historical trends, contractual terms, past experience and projected market conditions. Because the amounts are estimated, they may not fully reflect the final outcome and the amounts are subject to change. 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.

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 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, 2023, 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, 2023, that such ICFR were effective.

There have been no changes in the Company's ICFR during the three months ended December 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 on SEDAR+ at www.sedarplus.ca.