MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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**") which occurred after the year-end of former HLS. The following management's discussion and analysis ("MD&A") is of the financial condition and results of operations of former HLS and should be read in conjunction with the audited consolidated financial statements of former HLS for the year ended December 31, 2017 (the "**Annual Financial Statements**"). 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 28 and is current to that date unless otherwise stated. Additional information relating to HLS can be found in the Joint Information Circular Concerning the Plan of Arrangement Involving HLS Therapeutics Inc. and Automodular Corporation (the "**Circular**") filed on SEDAR on February 7, 2018.

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 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 HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets; withdrawal of the competing Absorica product in the United States market; 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 in HLS's materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the section entitled "Part IV – Information Concerning HLS – Risk Factors" in the Circular.

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 HLS's performance. To reconcile net loss for the year with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition costs", (iv) "finance and related costs", and (v) "provision for (recovery of) income taxes" appearing in the Selected Consolidated Financial Information presented below are added to net loss for the year 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, 2017	**December 31, 2016**
Net loss for the year	(6,097)	(14,893)
Stock-based compensation	363	294
Amortization and depreciation	32,233	26,722
Acquisition costs	166	4,057
Finance and related costs	24,264	23,882
Provision for (recovery of) income taxes	4,952	(1,526)
Adjusted EBITDA	55,881	38,536

OVERVIEW

HLS is an international specialty pharmaceutical company focused on acquiring (either through acquisitions, in-licensing or similar arrangements) and commercializing clinically differentiated pharmaceutical products in the specialty central nervous system and cardiovascular markets. As at December 31, 2017, HLS's lead product is Clozaril® (an atypical antipsychotic indicated in the management of symptoms of treatment-resistant schizophrenia) for the Canadian and United States markets. HLS also holds the United States marketing rights to Absorica® (a commercial stage dermatology product) which, in effect, provides HLS with income based on United States sales of Absorica by a third party.

In the third quarter of 2017, the Company entered into a license agreement to register, commercialize and distribute Vascepa® capsules in Canada. Vascepa capsules are a single-molecule prescription product for the treatment of cardiovascular disease. In the fourth quarter of 2017, the Company entered into a

license agreement to commercialize and distribute in Canada a second product related to the treatment of cardiovascular disease contingent on achieving certain regulatory milestones.

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 Revenues, 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, 2017	**December 31, 2016**
Revenues	75,082	54,031
Cost of product sales	4,136	1,891
Selling and marketing	3,551	3,201
Medical, regulatory and patient support	3,875	3,740
General and administrative	7,639	6,663
Adjusted EBITDA	55,881	38,536
Stock-based compensation	363	294
Amortization and depreciation	32,233	26,722
Operating income	23,285	11,520
Acquisition costs	166	4,057
Finance and related costs	24,264	23,882
Loss before income taxes	(1,145)	(16,419)
Provision for (recovery of) income taxes	4,952	(1,526)
Net loss for the year	(6,097)	(14,893)
Net loss per share:		
Basic and diluted	**$(0.24)**	**$(0.60)**

	As at	**As at**
	December 31, 2017	**December 31, 2016**
Cash and cash equivalents	36,219	37,763
Total assets	384,646	384,628
Total long-term financial liabilities	158,114	173,265
Total shareholders' equity	180,382	175,564

RESULTS OF OPERATIONS

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

Revenue

	Year ended	
	December 31, 2017	December 31, 2016
Product sales		
Canada	28,637	27,595
United States	18,801	18,700
	47,438	46,295
Royalty revenue	27,644	7,736
	75,082	54,031

Product sales increased by 4% in the Canadian market, where Clozaril is actively promoted and supported by a team of HLS employees.

Product sales in the U.S. market increased by 1%, with a modest Clozaril volume decline being offset by a modest price increase and the additional product sales under an authorized generic supply agreement.

Royalty revenue commenced in July 2016 with the acquisition of the Absorica marketing rights. Royalty revenue for 2017 reflects a full-year of Absorica royalties. In addition, royalty revenue increased 105% for the combined third and fourth quarters of 2017 compared with the combined third and fourth quarters of 2016. This increase is in part attributable to the withdrawal of a competing product from the market and the impact of a promotional campaign that was implemented in early 2017 by the marketer of Absorica in the United States market. The competing product could remain withdrawn from the market for an undetermined amount of time. The promotional campaign for Absorica ended at the end of 2017. Royalty revenue benefited by approximately $10.0 million in 2017 as a result of these market disruptions.

Operating expenses

	Year ended	
	December 31, 2017	December 31, 2016
Cost of product sales	4,136	1,891
Selling and marketing	3,551	3,201
Medical, regulatory and patient support	3,875	3,740
General and administrative	7,639	6,663
	19,201	15,495

Cost of product sales increased in 2017 due to the additional product supplies made under an authorized generic supply agreement and the costs associated with the transition of manufacturing responsibilities for the U.S. market to the HLS contract manufacturing supply chain.

The increase in general and administrative costs for 2017 is due to the adjustment of management compensation following the achievement of pre-defined business development objectives in July 2016 and further building out of the Company's administrative infrastructure, including the introduction of employee benefit plans.

Adjusted EBITDA

	Year ended	
	December 31, 2017	December 31, 2016
Adjusted EBITDA	55,881	38,536

The $21.1 million increase in revenues in 2017 were in part from Clozaril but were primarily the result of the full year impact of Absorica royalties and the increase in Absorica royalties as a result of the temporary market disruptions described above. The increase in revenues were partially offset by a $2.2 million increase in cost of product sales and a $1.5 million increase in other operating costs, resulting in a $17.3 million increase in Adjusted EBITDA.

Non-cash operating expenses

Amortization and depreciation relate to the intangibles acquired in the Clozaril and Absorica acquisitions.

Finance and related costs, net

Finance and related costs consist primarily of interest on the senior secured term loan provided under the HLS Credit Agreement, 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 decreased from $17.9 million in 2016 to $16.6 million in 2017 due to the repayment of $33.7 million in debt over that period. The Company has recorded a fair value charge of $1.3 million in the current year due primarily to the impact of a stronger Canadian dollar on the Company's foreign currency forward contract.

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

The Company financed its 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 of $185.0 million. As at December 31, 2017, the principal debt balance outstanding under the senior secured term facility was $151.3 million.

In addition, under the terms of the senior secured term facility, the Company may request incremental loans, for a maximum additional loan amount of $150.0 million.

Under the terms of the senior secured term loan, the Company is required to comply with financial covenants related to the maintenance of minimum revenue, liquidity and leverage ratios, and to place a maximum on capital expenditures. Non-compliance with such covenants may trigger early repayment of the senior secured term loan. Throughout the year ended December 31, 2017, the Company was in compliance with all of the financial covenants.

Cash flow

Cash flow from operating activities was $27.2 million for 2017 compared with $21.8 million in 2016. The increase is due to the royalty receipts resulting from the Absorica marketing rights acquisition as well as stable cash generation from the Clozaril business.

Investing activities for the current year relate to ongoing payments associated with the acquisition of the Absorica marketing rights in July 2016 as well as the initial up-front payment associated with the acquisition of the Vascepa distribution rights. The prior year includes the initial up-front payment associated with the Absorica acquisition.

Financing activities in 2017 include quarterly payments on the debt facility, as well as the setting aside of restricted cash balances associated with the acquisition of the Absorica marketing rights in July 2016. Principal payments made on the debt facility are $13.1 million in 2017 with a further $7.1 million to be paid in the first quarter of 2018 in respect of the financial results for the fourth quarter of 2017.

Financial position

As at December 31, 2017, the Company has cash and cash equivalents of $36.2 million and a working capital balance of $30.4 million. 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.

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

RELATED PARTY TRANSACTIONS

The following table sets out the compensation of the Company's key management personnel, defined as the founders of the Company:

	Year ended	
	December 31, 2017	**December 31, 2016**
Short-term employee benefits	2,621	1,748

COMMITMENTS

The Company has the following undiscounted contractual obligations at December 31, 2017:

	Less than one year	One to five years	Greater than five years	Total
Purchase consideration	10,800	21,425	—	32,225
Senior secured term loan	—	151,272	—	151,272
Lender royalty	499	1,950	3,080	5,529
	11,299	174,647	3,080	189,026

In addition to the contractual payments in the table above, the Company will also pay interest on its senior secured term loan.

For a description of these obligations, see note 9 of the audited consolidated financial statements for the year ended December 31, 2017.

The Company may also be required to pay contingent consideration related to the acquisition of intangible assets, as described in note 20 to the audited consolidated financial statements for the year ended December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

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 13 to the Audited Financial Statements.

The Company has entered foreign currency forward contracts to manage its exposure to fluctuations in value between the Canadian dollar and the United States dollar. As at December 31, 2017, the fair value of the remaining outstanding transactions was $1.1 million, which is recognized as a liability on the balance sheet. The Company recognized a realized loss of $0.3 million and an unrealized loss of $1.3 million for the year ended December 31, 2017 in respect of these foreign currency forward contracts. Both the realized and unrealized loss are included in finance and related costs in the consolidated statement of net loss.

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

SELECTED QUARTERLY INFORMATION

	2017			
	Q1	**Q2**	**Q3**	**Q4**
Product sales				
Canada	6,335	7,428	7,274	7,600
United States	4,289	4,600	5,835	4,077
	10,624	12,028	13,109	11,677
Royalty revenue	4,929	6,833	7,184	8,698
Revenues	15,553	18,861	20,293	20,375
Adjusted EBITDA	11,548	14,601	14,271	15,461
Net loss	(3,032)	(734)	(1,910)	(421)

	2016			
	Q1	**Q2**	**Q3**	**Q4**
Product sales				
Canada	6,533	6,681	7,020	7,361
United States	4,494	4,919	4,388	4,899
	11,027	11,600	11,408	12,260
Royalty revenue	—	—	4,200	3,536
Revenues	11,027	11,600	15,608	15,796
Adjusted EBITDA	7,356	8,081	11,666	11,433
Net loss	(4,475)	(2,050)	(3,394)	(4,974)

FOURTH QUARTER 2017

A $5.2 million year-over-year increase in Absorica royalty revenues resulted in a $4.6 million increase in total revenues in the fourth quarter of 2017 compared to the same quarter last year. Clozaril revenues in Canada grew 3% over a seasonally strong quarter in the previous year but overall Clozaril revenues

declined $0.6 million in the fourth quarter of 2017 compared to the same quarter last year due to a set of circumstances impacting U.S. revenues. In particular, customary trade inventory stocking ahead of year-end the previous year was not as significant in 2017.

Adjusted EBITDA increased 35% year-over-year in fourth quarter of 2017 to $15.5 million as a result of the increased revenues, partially offset by an increase of $0.4 million in operating expenses and $0.2 million in cost of sales.

SUBSEQUENT EVENTS

Amalgamation

On December 21, 2017, former HLS entered into a definitive agreement providing for the amalgamation of former HLS and AMD by way of a plan of arrangement (the "Arrangement") in accordance with Section 183 of the *Business Corporations Act* (Ontario). Pursuant to the Arrangement, former HLS and AMD amalgamated to form a new entity named "HLS Therapeutics Inc.", operating in the life sciences industry. The completion of the Arrangement resulted in a reverse takeover of AMD as defined in the policies of the TSX Venture Exchange (the "Exchange"). Completion of the Arrangement was subject to, among other things, the approval of the Exchange and approval from AMD and former HLS shareholders.

On March 8, 2018, former HLS and AMD announced that shareholders of both companies had voted in favor of the Arrangement and that the Ontario Superior Court of Justice (Commercial List) had granted a final order with respect to the Arrangement. The Arrangement was completed on March 12, 2018, and HLS common shares commenced trading on the Exchange on March 14, 2018.

Under the arrangement, AMD shareholders received, for each AMD share held, one preferred share of HLS and 0.165834 HLS common shares, and former HLS shareholders received, for each former HLS share, one HLS common share. The former shareholders of HLS hold approximately 92% of the outstanding common shares of HLS. As a result, HLS is considered the acquiring company for accounting purposes.

HLS preferred shares were issued to former AMD shareholders to allow them to receive their pro rata share of any proceeds from the completion or settlement of AMD's existing litigation and any residual funds that are in excess of AMD's commitment to deliver Cdn$25.0 million to HLS on closing of the Arrangement. On February 20, 2018, AMD announced that it had reached a settlement related to the litigation. The settlement proceeds were then received on March 8, 2018 and such funds along with the residual funds are being held in escrow.

OUTSTANDING SHARE DATA

As at the date of this discussion, the Company had: 27,429,897 common shares outstanding; 12,976,227 preferred shares outstanding; 1,390,470 stock options outstanding (resulting in a maximum issuance of 1,390,470 common shares); 2,527,852 warrants outstanding (resulting in a maximum issuance of 2,527,852 common shares); and 1,040,000 performance share units outstanding (resulting in a maximum issuance of 1,040,000 common shares).

RISK FACTORS

For a discussion of the risks and uncertainties facing the Company, please see "*Part IV – Information Concerning HLS – Risk Factors*" commencing on page 141 of the Circular.

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 Annual Financial Statements 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. Uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Revenue recognition

Gross revenue is reduced by rebates, discounts, allowances and product returns given or expected to be given. These arrangements with purchasing organizations are dependent upon the submission of claims after the initial recognition of the revenue. Accruals 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. The level of accrual is reviewed and adjusted regularly in the light of 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. Future events could cause the assumptions on which the accruals are based to change and could affect the future results.

Amortization of long-lived assets

The amortization expense relating to long-lived assets, which includes property, plant and equipment and product rights, is determined using estimates relating to the useful lives of the related assets.

Impairment of long-lived assets

The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. 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 with employees by reference to the fair value of the equity instruments at the date on which they are granted. 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 statement of financial position, which include lender and broker warrants and a foreign currency forward contract, 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.

FUTURE ACCOUNTING CHANGES

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's Annual Financial Statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9, *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company plans to adopt the new standard on the required effective date and, other than the possibility of additional disclosures, does not expect any material impact on its consolidated financial statements from this standard.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is continuing to assess the impact of IFRS 15. The new revenue standard requires the Company to estimate variable consideration and include in revenue amounts for which it is probable that a significant revenue reversal will not occur. For revenues derived from product sales, the Company already makes these estimates in its revenue recognition model. The new revenue standard also requires that royalty revenues are to be recognized at the later of (1) when the sale occurs or (2) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). This is consistent with the Company's current practice, which is to recognize royalty revenue when the sale occurs. As a result, the Company does

not expect that adopting this standard will have a material effect on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")

IFRS 16 was issued in January 2016 and eliminates the distinction between operating and financing leases for lessees. IFRS 16 applies a single model for all leases, with certain exemptions, that requires recognition of lease-related assets and liabilities and the related interest and depreciation expense in the financial statements. Lessor accounting is substantially unchanged. IFRS 16 will be effective from January 1, 2019 with limited early application permitted. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.