MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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

This discussion is presented as of November 14, 2018 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 HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets; withdrawal of the competing Absorica product in the U.S. 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 Company's Annual Information Form dated October 26, 2018, 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 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 and transaction 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 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 September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Stock-based compensation	308	94	525	271
Amortization and depreciation	8,078	8,282	24,353	24,097
Acquisition and transaction costs	215	143	748	161
Finance and related costs	25,217	6,754	34,341	18,706
Provision for (recovery of) income taxes	(3,808)	908	(4,887)	2,861
Adjusted EBITDA	10,274	14,271	29,905	40,420

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 ("CV") markets. As at September 30, 2018, 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. HLS also holds the U.S. marketing rights to Absorica® (a commercial stage dermatology product) which, in effect, provides HLS with income based on U.S. sales of Absorica by a third party.

In 2017, the Company entered into a license agreement with Amarin Corporation plc ("Amarin") to register, commercialize and distribute Vascepa® capsules in Canada. Vascepa capsules are intended to be registered as a single-molecule prescription product for the treatment of high triglycerides and potentially other cardiovascular indications. On September 24, 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.

Also, in 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.

AMALGAMATION

On March 12, 2018, the Company completed a plan of arrangement (the "Arrangement") to amalgamate with AMD in accordance with Section 183 of the *Business Corporations Act* (Ontario). Pursuant to the Arrangement, the Company 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"). New HLS common shares commenced trading on the Exchange on March 14, 2018.

Under the Arrangement, AMD shareholders received, for each AMD share, one preferred share of new HLS and 0.165834 common share of new HLS, and HLS shareholders received, for each HLS share, one new HLS common share. At the completion of the Arrangement, former shareholders of HLS held approximately 92% of the outstanding common shares of new 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 proceeds from the settlement of AMD's pre-existing litigation and any residual funds that were in excess of AMD's commitment to deliver C$25.0 million to HLS on closing of the Arrangement. Prior to closing the Arrangement, AMD announced that it had reached a settlement related to the litigation. The settlement proceeds were then received by AMD on March 8, 2018 and such funds, along with the residual funds and less the C$5.7 million partial redemption of preferred shares on May 9, 2018, are being held in escrow as at September 30, 2018.

KEY PERFORMANCE INDICATORS

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue	15,283	20,293	44,754	54,707
Expenses				
Cost of product sales	887	2,551	2,003	3,503
Selling and marketing	933	748	2,943	2,414
Medical, regulatory and patient support	1,131	748	3,284	2,482
General and administrative	2,058	1,975	6,619	5,888
Adjusted EBITDA [(1)]	10,274	14,271	29,905	40,420
Stock-based compensation	308	94	525	271
Amortization and depreciation	8,078	8,282	24,353	24,097
Operating income	1,888	5,895	5,027	16,052
Acquisition and transaction costs	215	143	748	161
Finance and related costs, net	25,217	6,754	34,341	18,706
Loss before income taxes	(23,544)	(1,002)	(30,062)	(2,815)
Income tax expense (recovery)	(3,808)	908	(4,887)	2,861
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Net loss per share:				
Basic and diluted	$(0.72)	$(0.08)	$(0.94)	$(0.22)

	As at September 30, 2018	**As at December 31, 2017**
Cash and cash equivalents	9,907	36,219
Total assets	322,799	384,646
Total long-term financial liabilities	112,388	158,114
Total shareholders' equity	166,866	180,382

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

RESULTS OF OPERATIONS

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

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Product sales				
Canada	7,130	7,274	21,661	21,037
United States	5,584	5,835	15,188	14,724
	12,714	13,109	36,849	35,761
Royalty revenue	2,569	7,184	7,905	18,946
	15,283	20,293	44,754	54,707

In the Canadian market, where Clozaril is actively promoted and supported by a team of HLS employees, product sales in fiscal 2018 increased by 2% and 2% in the third quarter and year-to-date, respectively in Canadian dollar terms. As a result of fluctuations in exchange rates, Canadian Clozaril product sales declined 2% in the third quarter but increased by 3% for the year-to-date period when translated to U.S. dollars.

Product sales in the U.S. market also increased in fiscal 2018, due primarily to a slow start to sales in fiscal 2017 and increased efficiency in distribution programs under Company management. Quarterly timing has also been impacted by the introduction of an authorized generic supply agreement that resulted in initial supplies being made in third quarter of 2017. Otherwise, Clozaril in the U.S. market continues to experience modest volume declines, mitigated by a nominal price increase.

Royalty revenues in fiscal 2017 benefited by approximately $10.0 to $11.0 million due to competitive disruptions and the positive impact of a promotional campaign undertaken by the distributor of Absorica in the U.S., which ran from early 2017 through November 2017. Due to higher sales levels in 2017, trade inventory levels had expanded by the end of the promotional period, resulting in a period of trade inventory destocking in the first quarter of 2018. This destocking resulted in lower revenues to the distributor and thus lower royalties to the Company in the first quarter of fiscal 2018. Royalty revenues for the seasonally weaker third quarter of fiscal 2018 were $2.6 million, down from $3.8 million in the second quarter.

Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Cost of product sales	887	2,551	2,003	3,503
Selling and marketing	933	748	2,943	2,414
Medical, regulatory and patient support	1,131	748	3,284	2,482
General and administrative	2,058	1,975	6,619	5,888
	5,009	6,022	14,849	14,287

Cost of product sales decreased in 2018 in-line with reduced authorized generic supplies and improved manufacturing costs as a result of the completion of the manufacturing transition for the US market.

The year-over-year increase in operating expenses was driven primarily by the addition of public company costs, the development of the HLS team to support the Company's growth plans, a return to more typical patient support and regulatory compliance costs in the U.S. after lower costs last year, and the costs associated with initial work to develop commercial plans for potential new cardiovascular product launches.

Adjusted EBITDA [(1)]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Adjusted EBITDA [(1)]	10,274	14,271	29,905	40,420

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

The year-over-year decrease in Adjusted EBITDA is due to lower royalty revenue from Absorica and additional operating costs related to the expansion of the business partially offset by the decrease in the cost of product sales and the year-to-date increase in Clozaril product sales.

Other operating expenses

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

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 original HLS credit agreement and the new JPMorgan credit agreement, a debt refinancing loss, 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 $4.2 million in the third quarter of fiscal 2017 to $2.7 million in the third quarter of fiscal 2018. For the nine-month period, interest decreased from $12.4 million in fiscal 2017 to $10.8 million in fiscal 2018. The reduction in interest for both the third quarter and year-to-date period is primarily due to the refinancing of the Company's debt in August 2018. The Company's current debt structure has both a lower principal amount outstanding and a lower interest rate than its original debt facility.

To achieve the lower principal balance and lower interest rate, the Company incurred debt refinancing costs of $19.0 million in the third quarter of fiscal 2018. The components of this charge are set out in the following table:

Previously deferred debt costs	12,150
Debt repayment premium	4,137
Lender royalty settlement	2,585
Other fees	79
	18,951

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

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.

Original senior secured term loan

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.

With a maturity date of August 11, 2021, interest on the original senior secured term loan accrued at a rate per annum equal to the sum of (i) 9.0% plus (ii) the higher of (a) the London Inter-bank Offered Rate ("LIBOR") for the applicable interest period and (b) 1.0%.

On August 15, 2018, the Company entered into a new senior secured term loan with a syndicate of bank lenders, and the principal balance of the original senior secured term loan was repaid in full.

Concurrent with the repayment of the original senior secured term loan, the Company extinguished its royalty obligation to a member of the original lending syndicate for a settlement of $6.0 million to be paid in cash, of which $4.0 million remains to be paid as at September 30, 2018.

New senior secured term loan

On August 15, 2018, the Company entered into a new senior secured term loan with a syndicate of bank lenders co-led by JPMorgan Chase Bank, N.A. and Silicon Valley Bank. The principal amount of the new senior secured term loan is $100.0 million. In addition, there is a $25.0 million revolving facility that is undrawn at September 30, 2018. The Company may also request to be provided with incremental loans, for a maximum additional loan amount of $100.0 million to support acquisitions and other growth opportunities. The maturity date is August 15, 2023. Interest on the new senior secured term loan accrues at a rate per annum equal to the sum of LIBOR plus a range of 2.75% to 3.25% depending on the leverage ratio of the Company at the time.

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

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

Under the terms of the senior secured term loan, the Company is required to comply with financial covenants related to the maintenance of liquidity and coverage ratios. Throughout the period ended September 30, 2018, the Company was in compliance with the financial covenants.

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

As at September 30, 2018, the principal debt balance outstanding under the new senior secured term facility was $100.0 million.

Equity

In connection with the amalgamation noted above, the Company issued 2,151,900 common shares in March 2018 for net proceeds of $18.7 million.

On May 9, 2018, the Company announced that the Exchange had approved the Company's Notice of Intention to Make a Normal Course Issuer Bid under which the Company may, if considered advisable, purchase for cancellation, from time to time over the next 12 months, up to an aggregate of 1,371,495 of its issued and outstanding common shares, being 5% of the issued and outstanding common shares as of May 7, 2018. During the period ended September 30, 2018, the Company purchased for cancellation 134,600 common shares at an average price of C$9.01 per common share.

On August 15, 2018, the Company's Board of Directors established a dividend policy providing for the payment of quarterly dividends of C$0.05 per common share.

On August 15, 2018, the Company's Board of Directors declared an initial dividend of C$0.05 per outstanding common share to be paid on December 14, 2018 to shareholders of record as of October 25, 2018. On November 14, 2018, the Company's Board of Directors declared a dividend of C$0.05 per outstanding common share to be paid on March 15, 2019, to shareholders of record as of January 31, 2019.

Cash flow

Cash flow from operating activities was $21.6 million for the first three quarters of fiscal 2018 compared with $18.3 million in the first three quarters of fiscal 2017. The increase is due to the collection of the fourth quarter Absorica royalty as well as stable cash generation from the Clozaril business.

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

Financing activities in fiscal 2018 include the issuance of common shares as a result of the amalgamation noted above and cash flows associated with the refinancing of the Company's senior secured term loan.

Financial position

As at September 30, 2018, the Company has cash of $9.9 million and an initial working capital deficit of $6.1 million following the use of surplus cash to reduce borrowing. 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, particularly considering a significant reduction in interest expense expected because of the lower borrowing cost under the new senior secured term loan and the reduced principal outstanding. In addition, the currently undrawn revolver facility is available to the Company if needed.

Accounts receivable decreased from year end due to the collection of the fourth quarter Absorica royalty. Other financial liabilities decreased due to the refinancing of the Company's senior secured term loan, as well as the payment of Absorica purchase consideration.

On May 9, 2018, the Company redeemed 9,321,491 of the Company's outstanding preferred shares at a price of C$0.61149 per preferred share, for a total redemption payment of C$5.7 million. This resulted in

a reduction to the initial escrow funds balance and a corresponding reduction to the initial preferred share liability balance.

RELATED PARTY TRANSACTIONS

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Short-term employee benefits	571	593	1,664	1,780
Stock-based compensation	98	7	109	14

COMMITMENTS

There have been no material changes in the commitments undertaken by the Company since the year ended December 31, 2017.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

Other than disclosed above, there has been no material change in the Company's management of its exposures to credit risk, liquidity risk and market risk since the year ended December 31, 2017.

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

SELECTED QUARTERLY INFORMATION (UNAUDITED)

	2017 Q4	**2018 Q1**	**2018 Q2**	**2018 Q3**
Product sales				
Canada	7,600	6,759	7,772	7,130
United States	4,077	4,872	4,732	5,584
	11,677	11,631	12,504	12,714
Royalty revenue	8,698	1,535	3,801	2,569
Revenues	20,375	13,166	16,305	15,283
Adjusted EBITDA [(1)]	15,461	8,592	11,039	10,274
Net loss	(421)	(4,876)	(563)	(19,736)

	2016 Q4	**2017 Q1**	**2017 Q2**	**2017 Q3**
Product sales				
Canada	7,361	6,335	7,428	7,274
United States	4,899	4,289	4,600	5,835
	12,260	10,624	12,028	13,109
Royalty revenue	3,536	4,929	6,833	7,184
Revenues	15,796	15,553	18,861	20,293
Adjusted EBITDA [(1)]	11,433	11,548	14,601	14,271
Net loss	(4,974)	(3,032)	(734)	(1,910)

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

OUTSTANDING SHARE DATA

As at the date of this discussion, the Company had: 27,295,297 common shares outstanding; 3,654,736 preferred shares outstanding; 1,928,985 stock options outstanding (resulting in a maximum issuance of 1,928,985 common shares); 2,559,852 warrants outstanding (resulting in a maximum issuance of 2,559,852 common shares); and 260,000 equity-settled performance share units outstanding (resulting in a maximum issuance of 260,000 common shares).

RISK FACTORS

For a discussion of the risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated October 26, 2018 filed on SEDAR. There have been no material changes in the risks or uncertainties facing the Company since the date of the AIF.

SIGNIFICANT ACCOUNTING POLICIES

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, 2017 and are unchanged as of the date of this MD&A, with the following exceptions:

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

The Company has adopted IFRS 9 on a modified retroactive basis in accordance with the transitional provisions of IFRS 9. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 9, while prior reporting period amounts have not been restated.

IFRS 9 introduces new requirements for classifying and measuring financial instruments, the recognition of expected credit losses, and hedge accounting. The adoption of IFRS 9 had no impact on the Company's financial position or results of operations, and the Company's financial assets and financial liabilities continue to be measured on the same basis as was previously applied under IAS 39, *Financial Instruments: Recognition and Measurement*.

The classification of financial assets and liabilities (collectively, financial instruments) is typically determined at the time of initial recognition, within the following categories:

- Amortized cost
- Fair value through income or loss
- Fair value through other comprehensive income

Financial instruments carried at fair value through income or loss

Financial instruments in this category include comprise lender warrants, preferred shares and foreign currency forward contracts.

Financial instruments carried at amortized cost

Financial instruments in this category include cash and cash equivalents, restricted cash, trade and other accounts receivable, accounts payable, purchase consideration, the senior secured term loan and the lender royalty.

Financial instruments in this category are recorded initially at fair value, and adjusted for directly attributable transaction costs and when material, a discount to reduce the payables to fair value. Financial instruments in this category are subsequently measure at amortized cost using the effective interest rate method. The effective interest rate accretion is included in *Finance and related costs, net* in the consolidated statement of loss.

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

The Company has adopted IFRS 15 effective January 1, 2018 on a modified retrospective basis in accordance with the transitional provisions of IFRS 15. Results for reporting periods beginning after January 1, 2018 are presented under IFRS 15, while prior reporting period amounts have not been restated and continue to be reported under IAS 18, *Revenue*.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and outlines two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. 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 Company has adopted the new standard using the modified retrospective application method with no restatement of comparative information. The adoption did not have an impact on the Company's financial position or results of operations.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

In the case of product sales, the determination of the fair value of consideration received or receivable includes a deduction for discounts, allowances given, provisions for chargebacks, other price adjustments and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns include consideration of factors such as contractual terms and historical trends.

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 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.