MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 17, 2021 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™, PERSERIS™, Trinomia® and Vascepa®, and royalty interests including Absorica®; 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 17, 2021, which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements and information contained in this MD&A are made as of the date hereof and HLS undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES

This MD&A refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements.

In particular, management uses Adjusted EBITDA as a measure of the Company's performance. To reconcile net loss for the year with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition and transaction costs", (iv) "finance and related costs", and (v) "recovery of income taxes" appearing in the Selected Consolidated Financial Information presented below are added to net loss for the period to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	Year ended December 31,	
	2020	**2019**
Net loss for the period	(15,331)	(19,552)
Stock-based compensation	2,531	3,761
Amortization and depreciation	33,186	32,510
Acquisition and transaction costs	709	957
Finance and related costs, net	4,012	14,878
Income tax recovery	(968)	(911)
Adjusted EBITDA	24,139	31,643

OVERVIEW

HLS is a Canadian-based North American-focused specialty pharmaceutical company focused on clinically differentiated pharmaceutical products in the specialty central nervous system ("CNS") and cardiovascular ("CV") markets. The following is a discussion of the Company's products.

Clozaril and CSAN Pronto

As at December 31, 2020, HLS's lead product is Clozaril (an atypical antipsychotic indicated in the management of symptoms of treatment-resistant schizophrenia) for the Canadian and U.S. markets. Clozaril continues to lead the market for treatment-resistant schizophrenia in Canada, with a large part of this leadership attributed to the superior service and support provided by the dedicated resources of the Clozaril Support and Assistance Network (CSAN®). The Company continues to improve and enhance the CSAN service. On October 17, 2019, the Company announced that Health Canada granted a medical device license to the Athelas One capillary point-of-care medical device, that is being commercialized in Canada

as CSAN® Pronto™. This system was designed to enhance and simplify the mandatory safety blood monitoring process for patients that are prescribed Clozaril. HLS has the exclusive Canadian rights to the device in the field of schizophrenia.

Vascepa

In 2017, the Company entered into a license agreement with Amarin Corporation plc ("Amarin") to register, commercialize and distribute Vascepa (icosapent ethyl) capsules in Canada. Since then, several milestones have been achieved:

- In 2018, Amarin announced that its REDUCE-IT™ Cardiovascular Outcomes Study of Vascepa capsules met its primary endpoint, demonstrating an approximately 25% relative risk reduction, to a high degree of statistical significance ($p<0.001$), in the primary endpoint composite of the first occurrence of major adverse CV events ("MACE"), including CV death, nonfatal myocardial infarction, nonfatal stroke, coronary revascularization, or unstable angina requiring hospitalization. Following release of these results, the Company paid Amarin a $2.5 million milestone payment in 2018.
- Also, in 2018, Amarin presented more granular results of the REDUCE-IT Cardiovascular Outcomes Study in which Vascepa, taken as an add-on to a statin in a population presenting a residual cardiovascular risk, demonstrated a 20% reduction in cardiovascular death, a 31% reduction in heart attacks and a 28% reduction in strokes among other results when compared to a placebo add-on to a statin.
- On March 29, 2019, the Company announced that Health Canada had granted priority review status for Vascepa. This priority approval process could reduce the time to approval for Vascepa by more than four months in recognition of the potential that Vascepa could address a serious, life-threatening condition for which there is no other treatment in market and that there is substantial evidence of the clinical effectiveness of the treatment.
- On December 30, 2019, Health Canada approved Vascepa in Canada to reduce the risk of cardiovascular events (cardiovascular death, non-fatal myocardial infarction, non-fatal stroke, coronary revascularization, or hospitalization for unstable angina) in statin-treated patients with elevated triglycerides who are at high risk of cardiovascular disease or diabetes and at least one other cardiovascular risk factor. Following approval by Health Canada, the Company paid Amarin a $2.5 million milestone payment in 2019.
- On January 6, 2020, the Company learned that Vascepa (icosapent ethyl) was added to Health Canada's Register of Innovative Drugs and as a result it will benefit from data protection for a period of eight years, in addition to any other intellectual property rights. Following confirmation of data protection, the Company paid Amarin a $3.75 million milestone payment in the first quarter of 2020.
- The Company started commercial distribution of Vascepa in Canada on February 7, 2020 ensuring that Vascepa was broadly available to all Canadian pharmacies through their usual pharmaceutical wholesalers within two weeks. To date, the Company has purchased $9.0 million of Vascepa inventory. At the discretion of management, a portion of this inventory may be used for promotional activities.
- On July 20, 2020, the Company announced that the Canadian Agency for Drugs and Technologies in Health ("CADTH") had recommended that Vascepa be reimbursed by participating public drug plans for statin-treated patients with established cardiovascular disease and elevated

triglycerides. The Company further announced that the Patented Medicines Pricing Review Board ("PMPRB") had also notified the Company that, further to its review, the initial price submitted by the Company for Vascepa did not trigger the investigation criteria for excessive pricing.

- On August 31, 2020, the Company announced that the results from the EVAPORATE Trial (Effect of Icosapent Ethyl on Progression of Coronary Atherosclerosis in Patients with Elevated Triglycerides on Statin Therapy) were presented at the European Society of Cardiology. In this trial, Vascepa demonstrated a 17% regression of low attenuation plaque volume over eighteen months when compared to placebo.
- On January 28, 2021, the Company announced that Vascepa is now included in the treatment guidelines or otherwise recommended for use by 13 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, and Thrombosis Canada.
- As of March 17, 2021, the Company has reached agreement with private insurers in Canada representing more than 90% of the privately insured lives in Canada to provide reimbursement for Vascepa.

PERSERIS

On May 8, 2019, the Company entered into an exclusive agreement to register and commercialize PERSERIS, a novel long-acting subcutaneous injectable containing risperidone for the treatment of schizophrenia, that, if approved, will complement the Company's CNS portfolio in Canada.

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

MyCare and MyCare Insite

On June 1, 2020, the Company entered into an exclusive agreement to distribute the MyCare Insite point of care blood-testing device associated diagnostic tests in Canada. The agreement is contingent on Saladax Biomedical, Inc. receiving regulatory approval for these products in Canada.

On December 16, 2020, the Company announced that Health Canada approved five MyCare Psychiatry Lab Assay diagnostic tests for use in measuring blood levels in patients taking any of the six most common antipsychotic drugs. Approval of the MyCare Insite point of care blood-testing device by Health Canada is expected to follow in 2021.

Trinomia

In 2017, the Company entered into a license agreement to commercialize and distribute Trinomia in Canada contingent on achieving certain regulatory milestones. Trinomia is a second product related to the treatment of cardiovascular disease and, if approved, will be complementary to Vascepa. On December 16, 2020, the Company announced that it had received a notice of deficiency for its pending submission for Trinomia that Health Canada may require additional scientific information pertaining to safety and efficacy to support the approval of the application. In particular, Health Canada noted that there is an ongoing study using Trinomia and that a regulatory decision for Trinomia should await these study results.

Royalties

On September 30, 2020, the Company acquired certain entities that hold the rights to a diversified portfolio of royalty interests on global sales of four different products.

Until December 2020, HLS also held the U.S. marketing rights to Absorica (a commercial stage dermatology product) which, in effect, provided HLS with income based on U.S. sales of Absorica by a third party.

Corporate development

HLS intends to pursue additional product and pipeline opportunities in the central nervous system and cardiovascular therapeutic markets, and potentially in other therapeutic areas, through targeted business development efforts.

Global pandemic

In early 2020, the coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic. Since mid-March 2020, the Company and its employees have been observing social distancing practices and working from home where possible, consistent with local public health requirements and official closures. Since June 28, 2020, the Company started permitting employees to return to offices on a limited, rotational basis and to resume in-person interactions with customers during periods when permitted by local public health authorities and when appropriate protective measures are in effect.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

Although the Company has determined that no significant revisions to such estimates, judgments or assumptions were required for fiscal 2020, revisions may be required in future periods. Any such revision (due to COVID-19 or otherwise) could have a material impact on our results of operations and financial condition. Further, in the event that such a material impact were to occur, the Company may need to consider requesting modifications to the covenants in its credit facility and there can be no assurance that such modifications would be provided.

See the "Results of Operations" section of this MD&A for a discussion of the impact of Covid-19 on the Company's current results.

While the Company believes the current conditions related to the COVID-19 pandemic to be temporary, the situation is dynamic and the long-term impact of COVID-19 on its results of operations and financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impacts or potential impacts to its business.

See the "Risk Management" section of this MD&A for a further discussion of the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Year ended December 31,	
	2020	**2019**
Revenue	56,109	54,160
Expenses		
Cost of product sales	3,625	1,932
Selling and marketing	12,900	6,256
Medical, regulatory and patient support	5,467	5,287
General and administrative	10,487	9,042
Realized gain on acquired royalty receivable	(509)	—
Adjusted EBITDA [(1)]	24,139	31,643
Stock-based compensation	2,531	3,761
Amortization and depreciation	33,186	32,510
Acquisition and transaction costs	709	957
Finance and related costs, net	4,012	14,878
Loss before income taxes	(16,299)	(20,463)
Income tax recovery	(968)	(911)
Net loss for the period	(15,331)	(19,552)
Net loss per share:		
Basic and diluted	$(0.48)	$(0.67)

	As at December 31, 2020	**As at December 31, 2019**
Cash and cash equivalents	20,612	47,078
Total assets	303,906	319,671
Total long-term debt and financial liabilities	99,015	91,822
Total shareholders' equity	169,249	178,199

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

RESULTS OF OPERATIONS

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

Revenue

	Year ended December 31,	
	2020	2019
Product sales		
Canada	29,393	27,159
United States	16,265	17,433
	45,658	44,592
Royalty revenue	10,451	9,568
	56,109	54,160

Product sales

The Company's product sales grew by 2% in fiscal year 2020, led by the 8% growth in product sales in Canada, despite the continued impact of the COVID-19 pandemic. These results reflect the resiliency of the Company's Clozaril franchises in Canada and the United States as well as the introduction of Vascepa in Canada. The Company generated $45.7 million of product sales, comprising $29.4 million in product sales in Canada, an increase of $2.2 million versus the prior year period and $16.3 million in the U.S. market, down $1.2 million or 6.7% from the prior year period.

In the Canadian market, where Clozaril and the CSAN patient support program are supported by a comprehensive network of HLS employees, Clozaril continues to be the market-leading treatment for treatment-resistant schizophrenia with a growing number of patients and a growing market share. Through December 2020, the number of Clozaril patients in Canada grew by 2% year-over-year, including continued new patient initiation since the start of the COVID-19 pandemic.

Clozaril net sales in Canada for the fiscal year 2020 were up 4.0% from the previous fiscal year in Canadian dollars. On the translation of Canadian Clozaril results to U.S. dollars, a 1.1% decline in the average exchange rate reduced the increase in sales by $0.3 million to 2.8% growth over the previous year. This represents faster growth than the growth in the number of Clozaril patients. Over time the company expects Clozaril net sales growth to follow the growth in patients. Much of the additional growth of Clozaril net sales in Canada in 2020 can be attributed to additional trade inventory purchases early in the year at the start of the pandemic.

In Canada, the blood monitoring process for patients that have been prescribed Clozaril requires 39 venous blood draws in the first year of treatment, which has been cited as a barrier to utilization of the medication. CSAN Pronto, the point-of-care blood-testing device integrated with the Company's CSAN patient support program and granted a medical device license by Health Canada in October 2019, is designed to enhance and simplify the mandatory blood monitoring process for Canadian patients prescribed Clozaril as it will require only a drop of blood from a finger prick and it will return test results in minutes compared with the inconvenience and delay of a laboratory test.

Deployment of CSAN Pronto in the Canadian market was impacted by the COVID-19 pandemic. The Company continued to work with leading mental health institutions across Canada to make this new blood testing system broadly available to Clozaril patients with an expanding number of sites starting to use the

CSAN Pronto in the second half of the year. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

The Company introduced Vascepa to the Canadian market in February 2020, only a few weeks before the global pandemic required in-person promotional activities to be pulled in favor of electronic and virtual programs. While the pandemic impeded the initial results of the launch, the Company accomplished several important Vascepa commercial milestones in fiscal 2020, despite the public health restrictions, including securing private payer coverage, a favorable recommendation for reimbursement from the public market health technology assessment organization and establishment of the list price with the federal pricing regulator. While still early in the launch, a steadily growing number of Canadian physicians are prescribing Vascepa to an increasing number of their patients resulting in growing Vascepa product sales, including 42% growth in the last quarter of fiscal 2020 over the previous quarter.

In the United States market, the Company conducted a pilot program in California in 2019 with Athelas, the developer and manufacturer of the Athelas One medical device (known as CSAN Pronto in Canada) to evaluate the potential for the blood testing system for clozapine patients. Since then, the Company is working with Athelas to progressively extend this program, known as the Refractory Schizophrenia Assistance Program ("RSAP"), to selected regions and settings of care.

The RSAP program was negatively impacted by the pandemic as new implementations were halted. Clozaril product sales in the United States market declined $1.2 million or 6.7% in fiscal year 2020. Clozaril volumes and gross sales were down 4.0% and net sales were further reduced by an increase in gross-to-net adjustments related to government programs, partially off-set by more favorable expired product returns.

Royalty revenues

Absorica royalty revenue was $8.1 million for fiscal year 2020, down $1.5 million from the $9.6 million recorded in the previous fiscal year. The Company terminated its ownership of these marketing rights effective December 31, 2020. Since acquiring these rights in 2016, the Company generated a positive return and had expected that the economic life of its rights would terminate by the end of 2020.

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. The Company recorded an acquired accounts receivable of $2.0 million since the acquired interests included an entitlement to the royalties for the third quarter. The portfolio generated royalty revenues of $2.3 million in the fourth quarter of 2020 and the Company realized a gain of $0.5 million as actual royalties received were in excess of the estimated receivable for the third quarter of 2020. Initial results are tracking ahead of the Company's expectations as total royalties received or receivable by the Company in respect of the six-month period from July 1, 2020 to December 31, 2020 were $4.8 million, of which $2.3 million has been included in royalty revenues.

Operating expenses

	Year ended December 31,	
	2020	**2019**
Cost of product sales	3,625	1,932
Selling and marketing	12,900	6,256
Medical, regulatory and patient support	5,467	5,287
General and administrative	10,487	9,042
	32,479	22,517

The cost of product sales increased in fiscal year 2020 as a result of the introduction of Vascepa and CSAN Pronto in Canada as well as additional costs related to expanding the Clozaril product line-up to facilitate a wider range of dosing options, including obsolescence charges incurred as a result of the global pandemic.

Selling and marketing activities increased by $6.6 million in fiscal year 2020 relative to the prior fiscal year, reflecting the additional costs related to the introduction of Vascepa in Canada including the Vascepa salesforce expansion at the start of the 2020. Medical, regulatory and patient support activities increased by 3.4% or $0.2 million relative to the prior year. General and administrative costs increased $1.5 million relative to the prior year, which includes $1.3 million of costs in the third quarter of 2020 that were associated with the retirement of the Company's founding CEO.

Adjusted EBITDA [(1)]

	Year ended December 31,	
	2020	**2019**
Adjusted EBITDA [(1)]	24,139	31,643

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

Adjusted EBITDA for the fiscal year 2020 decreased by $7.5 million compared to the prior year due to the $10.0 million increase in operating expenses, primarily the result of the increase in the selling and marketing costs to support the Vascepa launch in Canada. The financial contribution in fiscal year 2020 from the growth of Clozaril and Vascepa product sales in Canada and the addition of the acquired portfolio of royalty interests were more than sufficient to off-set the impact on Adjusted EBITDA of the erosion of Clozaril product sales in the US market and the decline in the final year of the Company's Absorica royalty revenues.

Stock-based compensation

Stock-based compensation relates to the Company's Performance Share Unit plan and Stock Option plan. A decrease to the Company's stock price in fiscal 2020 resulted in a decrease to the expense related to the Performance Share Unit plan.

Amortization and depreciation

Amortization and depreciation is primarily related to the intangible assets acquired in the Clozaril and Absorica acquisitions. Amortization of the intangible asset related to Vascepa commenced in the first quarter of fiscal 2020. Amortization of the acquired portfolio of royalty interests commenced in the fourth quarter of fiscal 2020.

Finance and related costs, net

Finance and related costs consist primarily of interest on the senior secured term, accreted interest related to debt issuance costs and long-term purchase consideration, and fair value adjustments related to financial instruments.

Interest on the senior secured term loan decreased from $5.7 million in fiscal 2019 to $5.1 million in fiscal 2020. The reduction is due to both a lower principal balance and a lower interest rate through most of fiscal 2020. At the end of the third quarter of fiscal 2020, the Company increased its senior secured term loan by $20.0 million to finance the royalty acquisition, which had an impact on interest expense from that point onward.

A decrease in the Company's share price in fiscal 2020 resulted in a decrease in the fair value of the Company's lender warrants, and fair value adjustment income of $5.3 million. The net settlement feature of the lender warrants dictates that they be treated as a liability with changes in fair value being recorded in the consolidated statement of net loss.

In fiscal 2019, the Company entered into a swap agreement to fix the LIBOR portion of the interest rate on remaining portion of the initial senior secured term loan at 1.453% for the remainder of the loan agreement. A decrease in the LIBOR in fiscal 2020 resulted in a fair value adjustment expense of $2.9 million related to this swap agreement.

FOURTH QUARTER 2020

Product sales in Canada of $7.7 million increased by 9% in the fourth quarter of fiscal year 2020 compared to the same period in the prior year. Despite additional pandemic-related restrictions in major markets within Canada in the fourth quarter of fiscal 2020, the number of Clozaril patients in Canada continued to grow in the quarter. Clozaril product sales in Canada in the fourth quarter of 2020 were essentially flat compared to the same period in the prior year, after including the positive impact of a 1.4% appreciation in the Canadian dollar in the period on the translation of Canadian results to U.S. dollars. Excluding the impact of trade inventory adjustments and the impact of the timing of deliveries around the year-end holidays on revenue recognition, Clozaril revenue growth in the quarter would have been consistent with the steady growth in patients. Vascepa product sales in the fourth quarter of 2020 increased by 42% over the previous quarter.

Clozaril product sales in the U.S. market were $4.2 million in the fourth quarter of 2020, a decrease of $0.2 million or 4.7% compared with the fourth quarter of 2019. Volume declines in the period were partially offset by more favorable gross-to-net sales adjustments, primarily related to government rebate programs, in the current period.

In the first full quarter since acquiring a diversified portfolio of royalty interests on global sales of four different products on September 30, 2020, the portfolio generated royalty revenues of $2.3 million and the Company realized a $0.5 million gain on the estimated acquired royalties receivable at September 30, 2020.

Prior to terminating its ownership of the Absorica marketing rights on December 31, 2020, the Company recorded Absorica royalty revenues of $2.3 million for fourth quarter of 2020, a decrease of $0.2 million when compared to the same period in the prior year.

The Company's operating expenses were $8.3 million in the fourth quarter of 2020, an increase of $1.6 million compared with the same period in the prior year. Increases in selling and marketing expenses, primarily to support the introduction of Vascepa in Canada, accounted for $1.2 million of the increase. Additional cost of product sales from the introduction of Vascepa and additional costs on Clozaril including CSAN Pronto, were partially offset by lower medical, regulatory and patient support costs and lower general and administrative costs in the quarter relative to the same period in the prior year.

Adjusted EBITDA of $8.7 million in the fourth quarter of 2020 increased $1.5 million from the same period in the prior period as the $3.1 million increase in revenues resulting from the addition of the acquired portfolio of royalty interests and the growth of product sales in Canada, were more than sufficient to offset the increased operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Base shelf prospectus

On May 15, 2020, the Company filed a short-form base shelf prospectus. The base shelf prospectus enables the Company to raise up to C$250.0 million over the 25-month period that the base shelf prospectus is effective.

To date, no securities have been issued under the base shelf prospectus.

Normal course issuer bid

On November 5, 2020, the Company announced that the Exchange had accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid 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 1,587,193 of its issued and outstanding common shares, being 5% of the issued and outstanding common shares as of October 30, 2020.

No common shares were purchased under the Normal Course Issuer Bid in fiscal 2020.

Capital structure

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

The Company financed its initial acquisitions through a portion of the net proceeds of each of (i) a subscription receipt financing of $170.0 million, (ii) a common share financing of $30.0 million, and (iii) a senior secured term facility.

Senior secured term loan

On August 15, 2018, the Company entered into a senior secured term loan with a syndicate of bank lenders co-led by JPMorgan Chase Bank, N.A. and Silicon Valley Bank. The principal amount of the senior secured term loan was $100.0 million. In September 2020, the Company and its lenders amended the terms of the senior secured credit facility to provide an additional $20.0 million in borrowing to finance the acquisition of a portfolio of royalty interests. In addition, there is a $35.0 million revolving facility, available under similar terms, that is undrawn at December 31, 2020. The Company may also request to be provided with incremental loans, for a maximum additional loan amount of $70.0 million to support acquisitions and other growth opportunities. The maturity date is August 15, 2023.

Interest on the new senior secured term loan accrues at a rate per annum equal to the sum of LIBOR plus a range of 2.75% to 4.0% depending on the leverage ratio of the Company at the time. In fiscal 2019, the Company entered into a swap agreement to fix the LIBOR portion of the rate at 1.453% on the remainder of the initial principal amount for the remainder of the loan agreement.

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

The Company is required to repay principal starting at 5% of the principal amount in the first full year and increasing to 10% in the fifth year of the term. The Company may also be required to make additional

payments from surplus cash flows or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the senior secured term loan, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at December 31, 2020, the Company was in compliance with all covenants.

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

As at December 31, 2020, the principal debt balance outstanding under the senior secured term facility was $107.6 million.

Equity

In fiscal 2020, quarterly dividend of C$0.05 per common share were declared in March, May, August and November.

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

Cash flow

Cash flow from operating activities was $9.3 million for fiscal 2020 compared with $26.4 million in fiscal 2019. The decrease is attributable to the expenditures associated with the launch of Vascepa in fiscal 2020, including the purchase of inventory.

Investing activities for the current year relate to the acquisition of royalty interests in September 2020; costs associated with the PERSERIS, Trinomia and Vascepa rights; and ongoing quarterly payments associated with the acquisition of the Absorica marketing rights. The prior year includes costs associated with the PERSERIS, Trinomia and Vascepa rights; and the quarterly payment associated with the Absorica acquisition.

Financing activities in the current year include a drawdown of $20.0 million to finance the royalty acquisition in September 2020 and the proceeds from the exercise of warrants, quarterly dividend payments and regular repayments of the senior secured term loan. Financing activities in the prior year include the proceeds from a public offering, as well as quarterly dividend and debt payments.

Financial position

As at December 31, 2020, the Company had cash of $20.6 million and positive working capital. The Company believes that its cash balances and cash flow from operations will be sufficient to fund its operating activities for the ensuing twelve-month period. In addition, the currently undrawn revolver facility is available to the Company if needed.

Working capital items such as accounts receivable, accounts payable, accrued liabilities and provisions experienced fluctuations quarter-over-quarter related to seasonality and timing during 2020. However, these fluctuations were within normal ranges. Inventory balances increased from year end due in large part to the purchase of Vascepa inventory. Over the ensuing twelve-month period, the Company expects increases in all of these working capital items to reflect the growth in business requirements following the introduction of Vascepa in Canada in the first quarter of 2020.

Debt increased in fiscal 2020 as the Company drew down on its senior secured term loan to finance the royalty acquisition in the third quarter, while other financial liabilities continue to decrease as the Company settles its acquisition-related obligations.

RELATED PARTY TRANSACTIONS

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

	Year ended December 31,	
	2020	**2019**
Short-term benefits	4,096	3,050
Stock-based compensation	1,354	2,036

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

COMMITMENTS

The Company has the following undiscounted contractual obligations at December 31, 2020:

	On demand	Less than one year	One to five years	Greater than five years	Total
Accounts payable and accrued liabilities	—	14,223	—	—	14,223
Purchase consideration	—	1,320	—	—	1,320
Senior secured term loan	—	9,750	97,868	—	107,618
Leases	—	541	680	—	1,221
	—	25,834	98,548	—	124,382

For a description of these obligations, see note 10 of the audited consolidated financial statements for the year ended December 31, 2020.

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, 2020, the annual interest expense would be approximately $5.0 million over the remaining term of the loan.

The Company may also be required to pay contingent consideration related to the acquisition of intangible assets, as described in note 21 to the audited consolidated financial statements for the year ended December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered an interest rate swap 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, 2020, the fair value of the interest rate swap is a liability of $2.6 million, while the fair value of the foreign exchange forward contracts is a liability of $0.3 million, both of which are recognized on the balance sheet.

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

SELECTED QUARTERLY INFORMATION

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

	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Product sales				
Canada	6,387	6,898	6,851	7,023
United States	4,275	4,495	4,257	4,406
	10,662	11,393	11,108	11,429
Royalty revenue	2,510	2,232	2,318	2,508
Revenues	13,172	13,625	13,426	13,937
Adjusted EBITDA [(1)]	8,257	8,105	8,045	7,236
Net income (loss)	(3,703)	(1,631)	(1,998)	(12,220)

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

In the fourth quarter of fiscal 2019, the Company recorded an expense of $8.9 million related to the revaluation of its outstanding lender warrants.

In the first quarter of fiscal 2020, the Company recorded income of $6.1 million related to the revaluation of its lender warrants and an expense of $3.4 million related to the revaluation of its interest rate swap.

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

OUTSTANDING SHARE DATA

As at March 17, 2021, the Company had: 31,990,736 common shares outstanding; 2,928,879 stock options outstanding (resulting in a maximum issuance of 2,928,879 common shares); and 123,732 warrants outstanding (resulting in a maximum issuance of 123,732 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, 2020.

COVID-19 Pandemic

As previously discussed, the Company's business may be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The changing and rapidly-evolving effects of the COVID-19 pandemic – the duration, extent and severity of which are currently unknown – on investors, businesses, the economy, government bodies, society and the financial markets could, among other things, add volatility to the global stock markets and change interest rate environments. The COVID-19 pandemic and measures to prevent its spread may negatively impact the Company, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Company, including access to its products by patients, the Company's planned sales and marketing processes for its approved products and the Company's ability to source, evaluate and pursue acquisition opportunities; (ii) disrupting the Company's supply chain, including the manufacture and/or delivery of its products by third-party manufacturers on which the Company relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Company in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations; (vi) adversely affecting the Company's ability to comply with the covenants in its credit facility or requiring modifications to such covenants, for which there can be no assurance that such modifications would be provided; (vii) disrupting health care delivery; (viii) disrupting operations at Health Canada, which may result in delays in reviews and approvals, including with respect to products for which the Company has made or may make new drug submissions; (ix) disrupting operations at public or private payors and related agencies, such as CADTH, PMPRB, pCPA, which may result in delays in gaining access or reimbursement with respect to products for which the Company has made or may make submissions. At this point, the extent to which the COVID-19 pandemic will or may impact the Company is uncertain and these factors are beyond the Company's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Company's securities.

For a discussion of the additional risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated March 17, 2021 filed on SEDAR.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

A description of the Company's significant accounting policies is included in note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2020 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, 2020 and are unchanged as of the date of this MD&A.

Revenue recognition

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

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

Amortization of long-lived assets

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

Impairment of long-lived assets

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

Income taxes

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

Fair value of stock-based compensation

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

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

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position, which include lender warrants, PSUs and 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, 2020, 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, 2020, that such ICFR were effective.

There have been no changes in the Company's ICFR during the three months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found in SEDAR at www.sedar.com.