MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2022

HLS Therapeutics Inc. ("**HLS**" or the "**Company**") was formed on March 12, 2018 by the amalgamation of HLS Therapeutics Inc. ("**former HLS**") and Automodular Corporation ("**AMD**"). The following management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of HLS for the three months ended March 31, 2022 and the audited consolidated financial statements of HLS for the year ended December 31, 2021. References to "HLS" and the "Company" in this MD&A also refer to former HLS, as the context requires.

This discussion is presented as of May 4, 2022 and is current to that date unless otherwise stated.

The financial information presented in this MD&A is derived from the above noted financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"), with the exception of the Selected Quarterly Information. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "potential" and similar expressions are intended to identify forward-looking statements or information. More particularly and without limitation, this MD&A contains forward-looking statements and information concerning: statements with respect to future prospects for Company products, including Clozaril®, CSAN® Pronto®, MyCare™ Insite™, MyCare™ Psychiatry™, PERSERIS™, Trinomia® and Vascepa®, and royalty interests; statements with respect to HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets; and HLS's anticipated cash needs and its need for additional financing.

The forward-looking statements and information included in this MD&A are based on certain key expectations and assumptions made by HLS and although HLS believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because HLS can give no assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Factors and risks which could cause actual results or events to differ materially from those expressed in its forward-looking statements are discussed below and in HLS's materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the Company's Annual Information Form dated March 16, 2022, 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) "income tax expense" appearing in the Selected Consolidated Financial Information presented below are added to net loss for the period to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	Three months ended March 31,	
	2022	**2021**
Net loss for the period	(3,616)	(4,753)
Stock-based compensation	815	2,347
Amortization and depreciation	8,387	7,367
Acquisition and transaction costs	345	84
Finance and related costs, net	320	1,349
Income tax expense	65	274
Adjusted EBITDA	6,316	6,668

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 March 31, 2022, 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 in February 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 March 29, 2021, the Company announced that the Canadian Cardiovascular Society included incosapent ethyl (Vascepa) in its 2021 Canadian Cardiovascular Society Guidelines for the Management of Dyslipidemia for the Prevention of Cardiovascular Disease in the Adult, published in the Canadian Journal of Cardiology. The icosapent ethyl recommendation was classified as "Strong Recommendation; High-Quality Evidence" and was supported by the results of the REDUCE-IT cardiovascular outcomes study. Vascepa is now included in the treatment guidelines or otherwise recommended for use by 16 medical associations worldwide, including American Diabetes Association; American Heart Association; National Lipid Association; American Association of Clinical Endocrinologists; American College of Endocrinology; Endocrine Society; European Society of Cardiology; European Atherosclerosis Society; Chinese Society of Cardiology; Japan Circulation Society; Brazilian Society of Cardiology, Thrombosis Canada and the Canadian Stroke Best Practices. Since March 31, 2021, Canadian private insurance plans representing more than 90% of the privately insured lives in Canada provide reimbursement for Vascepa.
- On August 16, 2021, the Company announced a promotional services agreement with Pfizer Inc. ("Pfizer") for the expansion of Vascepa promotion in Canada. Under the terms of the agreement, Pfizer deployed a team across Canada to support education about Vascepa with primary care physician groups, which started in late September 2021. The Company retains responsibility for Vascepa's commercialization in Canada and the Company's existing cardiovascular field personnel remain primarily focused on the specialist physician audience.
- On April 26, 2022, the Company announced completion of a Letter of Intent with the pan-Canadian Pharmaceutical Alliance for the confidential terms and conditions for reimbursement for Vascepa by all Canadian provincial, territorial and federal government drug plans.

PERSERIS

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

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

The Company made an initial upfront payment of $1.0 million in 2019 and a further payment of $2.5 million in 2021 resulting from achievement of a regulatory and pre-commercial milestone, with a remaining payment of $1.5 million to be made by 2023.

MyCare and MyCare Insite

On June 1, 2020, the Company entered into an agreement to distribute the MyCare Psychiatry Lab Assays and MyCare Insite point of care therapeutic drug-level monitoring tests in Canada.

On December 16, 2020, the Company announced that Health Canada approved the MyCare Psychiatry Lab Assay therapeutic drug-level monitoring tests in patients taking any of the six most common antipsychotic drugs. On July 21, 2021, Health Canada approved the MyCare Insite point of care therapeutic drug monitoring system for use with clozapine patients. Health Canada approval for use with other common antipsychotic drugs is expected to follow in the next twelve months.

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. Accordingly, the Company has withdrawn its application from Health Canada so that it can be re-submitted following availability of the requested data.

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.

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. During various periods in 2020 and 2021, the Company permitted employees to return to offices on a limited, rotational basis and to resume in-person interactions with customers where permitted by local public health authorities and when appropriate protective measures have been in effect. The Company began a phased return to office again late in the first quarter of 2022.

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 consolidated 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 the first quarter of fiscal 2022, 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 was 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 any 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 improving, the situation is dynamic and the long-term impact of COVID-19 and its variants on the Company’s future 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

	Three months ended March 31,	
	2022	**2021**
Revenue	14,556	14,314
Expenses		
Cost of product sales	953	774
Selling and marketing	3,829	3,168
Medical, regulatory and patient support	1,276	1,333
General and administrative	2,182	2,371
Adjusted EBITDA [(1)]	6,316	6,668
Stock-based compensation	815	2,347
Amortization and depreciation	8,387	7,367
Acquisition and transaction costs	345	84
Finance and related costs, net	320	1,349
Loss before income taxes	(3,551)	(4,479)
Income tax expense	65	274
Net loss for the period	(3,616)	(4,753)
Net loss per share:		
Basic and diluted	$(0.11)	$(0.15)

	As at March 31, 2022	**As at December 31, 2021**
Cash and cash equivalents	22,664	21,179
Total assets	270,524	275,905
Total long-term debt and other liabilities	84,170	86,844
Total shareholders' equity	159,029	160,736

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

RESULTS OF OPERATIONS

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

Revenue

	Three months ended March 31,	
	2022	2021
Product sales		
Canada	8,403	7,833
United States	3,443	3,935
	11,846	11,768
Royalty revenue	2,710	2,546
	14,556	14,314

Product sales

The Company's product sales in Canada increased by 7% in the first quarter of 2022 compared to the same period last year despite the re-introduction of pandemic-related public health restrictions across Canada for most of this period as a result of the omicron variant of COVID-19. In particular, renewed restrictions led to reduced opportunities for patient access resulting in slower new patient starts for Clozaril and reduced in-person medical education opportunities for Vascepa.

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

Through March 2022, 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 as well as a growing number of CSAN Pronto implementations at key mental health institutions across Canada. The initial deployment of CSAN Pronto in the Canadian market was delayed by the COVID-19 pandemic impact on resources at healthcare institutions. The Company is making progress as it continues to work with leading mental health institutions across Canada to make this new blood testing system broadly available to Clozaril patients at an increasing number of sites. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

Following strong Clozaril net sales growth in Canada for the fourth quarter of fiscal year 2021, results in the first quarter of fiscal year 2022 were 7% lower than the same period a year earlier, reflecting reduced rates of new patient adoption and softer replenishment orders. Of note, the pandemic introduced greater fluctuation in monthly and quarterly results resulting from changes in customer order patterns, including a notable increase in sales in 2020 due to additional trade inventory built up early in the pandemic. Over time the company expects Clozaril net sales growth to follow the growth in patients.

The Company achieved several important commercial milestones for Vascepa in the Canadian market including reimbursement by insurance plans representing more than 90% of privately insured lives in Canada and the April 26, 2022 announcement of a Letter of Intent with the pan-Canadian Pharmaceutical Alliance for the confidential terms and conditions for Vascepa reimbursement in public markets. Vascepa was also recognized by the Canadian Cardiovascular Society by the inclusion of strong recommendations for Vascepa in their updated guidelines, joining at least 18 other international medical societies recommending Vascepa. Despite the commercial challenges of launching Vascepa just before the global pandemic and changes in commercial operations that this has entailed, Vascepa continues to consistently add additional prescribers and patients.

For the US Clozaril market, the Company's pilot program (the "RSAP program") begun 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 was negatively impacted by the pandemic as new implementations were halted which resulted in a steady erosion of results through 2021. Results outside the RSAP are stable but with continued modest volume erosion. For the first quarter of 2022, seasonal trade inventory dynamics were partially off-set by favorable expired product returns and favorable adjustments related to government programs resulting in a $0.5 million decrease in net sales compared to the same period in the prior year.

Royalty revenues

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. The Company recorded estimated royalty revenues of $2.7 million in the first quarter of fiscal 2022, compared with $2.5 million in the first quarter of 2021 reflecting underlying strength in the currently marketed products in the portfolio. The underlying product for the as yet uncommercialized fourth royalty interest in the portfolio was recently approved in Japan. The target date for an FDA response to the filing for this product is in the third quarter of this fiscal year with a European regulatory response expected thereafter.

Operating expenses

	Three months ended March 31,	
	2022	**2021**
Cost of product sales	953	774
Selling and marketing	3,829	3,168
Medical, regulatory and patient support	1,276	1,333
General and administrative	2,182	2,371
	8,240	7,646

Cost of product sales increased in the first quarter of 2022 as a result of the year-over-year increase in Vascepa sales partially offset by favorable variances and reduced obsolescence estimates.

For the first quarter of 2022, the other operating expenses increased by 6% or $0.4 million. The increase is the result of increased Selling and marketing activities of $0.7 million reflecting additional marketing support costs for Vascepa and initial introductory spending related to MyCare, partially offset by modest reductions in Medical, regulatory and patient support activities and General and administrative costs.

Adjusted EBITDA [(1)]

	Three months ended March 31,	
	2022	**2021**
Adjusted EBITDA [(1)]	6,316	6,668

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

Adjusted EBITDA for the first quarter of 2022 decreased modestly by $0.4 million as small increases in product sales and royalties were more than offset by additional operating expenses.

Stock-based compensation

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

Amortization and depreciation

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

Finance and related costs, net

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

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. An increase in the LIBOR in fiscal 2022 resulted in a fair value adjustment gain of $1.5 million related to this swap agreement.

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 (the "NCIB"). On November 4, 2021, the Company announced that the Exchange had accepted the Company's notice of intention to renew its NCIB, 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 1,622,559 of its issued and outstanding common shares, being 5% of the issued and outstanding common shares as of October 26, 2021.

During the first quarter of fiscal 2022, the Company purchased for cancellation 1,800 common shares at an average price of C$14.28 per common share.

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 March 31, 2022. 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. The Company has a swap agreement in place to fix the LIBOR portion of the rate at 1.453% on the remainder of the initial principal amount for the remainder of the 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 March 31, 2022, 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 March 31, 2022, the principal debt balance outstanding under the senior secured term facility was $94.1 million.

Equity

In fiscal 2022, quarterly dividends of C$0.05 per common share were declared in March and May.

Cash flow

Cash flow from operating activities was $5.8 million for the first quarter of fiscal 2022 compared with $7.2 million in fiscal 2021. The first quarter of fiscal 2021 included the final receipt of Absorica royalties, which contributed $2.3 million in operating cash flow to that period.

Investing activities for the current year were nominal while the prior year includes the final purchase consideration payment associated with the Absorica marketing rights acquired in fiscal 2016.

Financing activities in both the current and prior year include the proceeds from the exercise of stock options, quarterly dividend payments and quarterly repayments of the senior secured term loan.

Financial position

As at March 31, 2022, the Company had cash of $22.7 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 fiscal 2022. However, these fluctuations were within normal ranges.

Debt and other financial liabilities decreased in fiscal 2022 as the Company continues to pay down its senior secured term loan.

COMMITMENTS

There have been no other material changes in the commitments undertaken by the Company since the year ended December 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has used interest rate swaps and foreign currency forward contracts to manage exposure to fluctuations in interest rates and the value between the Canadian dollar and the United States dollar. As at March 31, 2022, the fair value of the outstanding interest rate swap is an asset of $0.6 million, which is recognized on the balance sheet.

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

SELECTED QUARTERLY INFORMATION

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

	2020 Q2	2020 Q3	2020 Q4	2021 Q1
Product sales				
Canada	6,875	7,383	7,656	7,833
United States	3,932	3,988	4,198	3,935
	10,807	11,371	11,854	11,768
Royalty revenue	1,798	1,758	4,631	2,546
Revenues	12,605	13,129	16,485	14,314
Adjusted EBITDA [(1)]	4,814	4,520	8,736	6,668
Net income (loss)	(6,474)	(1,733)	(7,278)	(4,753)

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

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 May 4, 2022, the Company had: 32,468,324 common shares outstanding and 3,056,107 stock options outstanding (resulting in a maximum issuance of 3,056,107 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, 2021.

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 16, 2022 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, 2021 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, 2021 and are unchanged as of the date of this MD&A.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and have designed such disclosure controls and procedures to provide reasonable assurance that material information with respect to the Company is made known to them and

information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal controls over financial reporting

The Company's management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined in NI 52-109 and have designed such ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS.

The control framework the Company's management used to design the Company's ICFR is set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There have been no changes in the Company's ICFR during the three months ended March 31, 2022 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.