MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

HLS Therapeutics Inc. ("**HLS**" or the "**Company**") was formed on March 12, 2018 by the amalgamation of HLS Therapeutics Inc. ("**former HLS**") and Automodular Corporation ("**AMD**"). The following management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of HLS for the three and nine months ended September 30, 2023 and the audited consolidated financial statements of HLS for the year ended December 31, 2022. References to "HLS" and the "Company" in this MD&A also refer to former HLS, as the context requires.

This discussion is presented as of November 8, 2023 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. References to LIBOR in this MD&A refer to the London Inter-Bank Offered Rate or its replacement.

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 15, 2023, which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

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

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net loss for the period	(6,901)	(4,410)	(22,130)	(17,169)
Stock-based compensation	(19)	125	63	2,170
Amortization and depreciation	8,207	8,834	24,892	25,710
Finance and related costs, net	4,223	1,489	9,128	2,852
Other costs	42	69	4,106	4,956
Income tax recovery	(424)	(91)	(347)	(29)
Adjusted EBITDA	5,128	6,016	15,712	18,490

OVERVIEW

HLS is a Canadian-based North American specialty pharmaceutical company focused on addressing unmet needs in the treatment of psychiatric disorders and cardiovascular disease. The following is a discussion of the Company's products.

Clozaril

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. In addition, the Company has rights in a growing number of patents and patent applications related to Vascepa. Of the many patents issued, 12 are currently listed on Health Canada's Patent Register, the last of which expires in 2039.
- The Company started commercial distribution of Vascepa in Canada in February 2020, ensuring that Vascepa was broadly available to all Canadian pharmacies through their usual pharmaceutical wholesalers within two weeks.
- On July 20, 2020, the Company announced that the Canadian Agency for Drugs and Technologies in Health ("CADTH") had recommended that Vascepa be reimbursed by participating public drug

plans for statin-treated patients with established cardiovascular disease and elevated triglycerides. The Company further announced that the Patented Medicines Pricing Review Board ("PMPRB") had also notified the Company that, further to its review, the initial price submitted by the Company for Vascepa did not trigger the investigation criteria for excessive pricing.

- On August 31, 2020, the Company announced that the results from the EVAPORATE Trial (Effect of Icosapent Ethyl on Progression of Coronary Atherosclerosis in Patients with Elevated Triglycerides on Statin Therapy) were presented at the European Society of Cardiology. In this trial, Vascepa demonstrated a 17% regression of low attenuation plaque volume over eighteen months when compared to placebo.
- On March 29, 2021, the Company announced that the Canadian Cardiovascular Society included icosapent ethyl (Vascepa) in its 2021 Canadian Cardiovascular Society Guidelines for the Management of Dyslipidemia for the Prevention of Cardiovascular Disease in the Adult, published in the Canadian Journal of Cardiology. The icosapent ethyl recommendation was classified as "Strong Recommendation; High-Quality Evidence" and was supported by the results of the REDUCE-IT cardiovascular outcomes study. Vascepa is now included in the treatment guidelines or otherwise recommended for use by 16 medical associations worldwide, including American Diabetes Association; American Heart Association; National Lipid Association; American Association of Clinical Endocrinologists; American College of Endocrinology; Endocrine Society; European Society of Cardiology; European Atherosclerosis Society; Chinese Society of Cardiology; Japan Circulation Society; Brazilian Society of Cardiology, Thrombosis Canada and the Canadian Stroke Best Practices.
- On August 16, 2021, the Company announced a promotional services agreement with Pfizer Inc. ("Pfizer") for the expansion of Vascepa promotion in Canada. Under the terms of the agreement, Pfizer deployed a team across Canada to support education about Vascepa with primary care physician groups, which started in late September 2021. In October 2023, the promotional services agreement was amended to increase productivity of efforts with primary care prescribers with the highest potential and to realize cost efficiencies starting in 2024. The Company retains responsibility for Vascepa's commercialization in Canada and the Company's cardiovascular field personnel remain primarily focused on the specialist physician audience.
- On April 26, 2022, the Company announced completion of a Letter of Intent with the pan-Canadian Pharmaceutical Alliance for the confidential terms and conditions for reimbursement for Vascepa by all Canadian provincial, territorial and federal government drug plans.
- Subsequent to the completion of the Letter of Intent, there have been a series of public listing announcements.
    - On May 24, 2022, the Company announced that it had obtained public reimbursement for Vascepa in Quebec.
    - In June 2022, New Brunswick became the first Atlantic province with a public drug plan that reimburse Vascepa.
    - On July 25, 2022, the Company announced that Vascepa was reimbursed by Ontario's Provincial Drug Plan effective July 21, 2022.
    - On August 2, 2022, the Company announced that the Saskatchewan Drug Plan became the first Western Canadian provincial drug plan to reimburse Vascepa.

- On July 6, 2023, British Columbia Pharmacare announced that, despite participation in the Letter of Intent, it had not been able to complete a product listing agreement for reimbursement of Vascepa. Since then, the Company has re-entered discussions and now sees a path forward to an agreement for Vascepa. The Company is currently working through coverage implementation with the province and will provide updates on timing and a date for product availability through this provincial drug plan.

- To date, Vascepa is now reimbursed by public drug plans covering approximately 70% of publicly insured Canadians. Vascepa is also covered for more than 90% of privately insured Canadians for the full in-label indication.

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 was intended to complement the Company's neuroscience portfolio in Canada.

On November 17, 2020, the Company announced that Health Canada approved the use of PERSERIS for the treatment of schizophrenia in adults. The Company made an initial upfront payment of $1.0 million in 2019 and a further payment of $2.5 million in 2021 resulting from achievement of a regulatory and pre-commercial milestone, with a remaining payment of $1.5 million to be made by 2024. The Company also capitalized eligible development costs related to bringing this product to market.

In June 2022, the pan-Canadian Pharmaceutical Alliance announced that negotiations had concluded without an agreement with respect to public market reimbursement despite an earlier positive listing recommendation from CADTH. This decision caused a delay in the commercialization of PERSERIS as listing discussions would need to be pursued with individual provinces. As a result, the Company recorded an impairment charge of $3.1 million in the second quarter of fiscal 2022.

In the second quarter of fiscal 2023, the Company concluded that it was no longer likely that it would succeed in obtaining product listing agreements in these provinces on commercially viable terms. As a result, the Company decided to not pursue commercialization of PERSERIS any further and recorded an impairment charge of $2.4 million, primarily representing the remaining carrying amount of the intangible asset.

MyCare and MyCare Insite

On June 1, 2020, the Company entered into an agreement to distribute the MyCare Psychiatry Lab Assays and MyCare Insite point of care Therapeutic Drug-level Monitoring ("TDM") tests in Canada.

On December 16, 2020, the Company announced that Health Canada approved the MyCare Psychiatry Lab Assay therapeutic drug-level monitoring tests in patients taking any of the six most common antipsychotic drugs. On July 21, 2021, Health Canada approved the MyCare Insite point of care therapeutic drug monitoring system for use with clozapine patients. The TDM technology is being introduced first in the medical laboratory environment and the benefits are being disseminated to clinicians in parallel.

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 withdrew its application from Health Canada so that it could be re-submitted following availability of the requested data. The study was completed successfully and results were released at the European Society of Cardiology Congress on August 26, 2022. The Company met with Health Canada in March 2023 to discuss the positive trial results and is working with its licensor to evaluate the commercial opportunity for Trinomia prior to preparation of an updated application for submission to Health Canada.

Royalties

On September 30, 2020, the Company acquired certain entities that hold the rights to a diversified portfolio of royalty interests on global sales of four different products, three of which were already being commercialized. On June 28, 2022, the fourth product received regulatory approval in Europe, resulting in a $10.0 million regulatory approval milestone payment that was made in July 2022. This product was also approved in Japan in March 2022 and the United States in August 2022 and commercial sales began in the third quarter of fiscal 2022.

Corporate development

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

KEY PERFORMANCE INDICATORS

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue	16,037	15,704	47,211	45,792
Expenses				
Cost of product sales	1,870	1,357	5,091	3,464
Selling and marketing	5,048	4,306	15,180	12,677
Medical, regulatory and patient support	1,675	1,498	4,188	4,121
General and administrative	2,316	2,527	7,040	7,040
Adjusted EBITDA [(1)]	5,128	6,016	15,712	18,490
Stock-based compensation	(19)	125	63	2,170
Amortization and depreciation	8,207	8,834	24,892	25,710
Finance and related costs, net	4,223	1,489	9,128	2,852
Other costs	42	69	4,106	4,956
Loss before income taxes	(7,325)	(4,501)	(22,477)	(17,198)
Income tax recovery	(424)	(91)	(347)	(29)
Net loss for the period	(6,901)	(4,410)	(22,130)	(17,169)
Net loss per share:				
Basic and diluted	$(0.21)	$(0.14)	$(0.68)	$(0.53)

	As at September 30, 2023	**As at December 31, 2022**
Cash and cash equivalents	21,808	20,723
Total assets	215,228	241,652
Total long-term debt and other liabilities	87,673	84,578
Total shareholders' equity	101,802	125,318

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

RESULTS OF OPERATIONS

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

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Product sales				
Canada	10,153	9,570	28,755	27,500
United States	3,289	3,590	9,680	10,751
	13,442	13,160	38,435	38,251
Royalty revenue	2,595	2,544	8,776	7,541
	16,037	15,704	47,211	45,792

The Company's revenues of $16.0 million in the third quarter of fiscal year 2023 were up $0.3 million or 2% over the same period in fiscal 2022. In constant currency terms, the Company's revenues would have been $16.3 million, up 3%, as the decline in the Canadian dollar had an impact on the results reported by the Company in U.S. dollars.

Total product sales generated by the Company reached their highest quarterly level to date with $13.4 million in the third quarter of fiscal 2023, up $0.3 million from the same period in fiscal 2022. Without the negative impact of the currency decline, the Company's product sales for the quarter in constant currency terms would have been $13.7 million, an increase of $0.6 million.

Product sales – Canada

000's of CAD	**Three months ended September 30,**			**Nine months ended September 30,**		
	2023	**2022**	**% change**	**2023**	**2022**	**% change**
Clozaril	8,946	9,244	(3.2)%	26,029	26,581	(2.1)%
Vascepa	4,665	3,247	43.7%	12,661	8,720	45.2%
Other	16	—	—	16	—	—
	13,627	12,491	9.1%	38,706	35,301	9.6%

Vascepa sales growth resulted in the Company's Canadian product sales increasing by 9% in Canadian dollars to C$13.6 million in the third quarter of fiscal 2023 compared to the same period last year. A 3% decline in the value of the Canadian dollar resulted in a growth rate of 6% as reported in U.S. dollars. For the first nine months of 2023, Canadian product sales increased by 10% to C$38.7 million, up from C$35.3 million in the same period last year.

In Canadian dollars, Vascepa sales were C$4.7 million for the third quarter of fiscal 2023 compared to C$3.2 million the previous year, an increase of 44% from the same period last year. After relatively quiet summer months in July and August, growth in new prescriptions and ex-factory sales increased significantly in September. Demand growth is coming from both private and public payer segments, including an increase in Ontario public claims in September, despite continued Ontario claims processing challenges. As a result, weekly Vascepa prescriptions exceeded 2,000 prescriptions for the first time in September 2023. In total, Vascepa is now covered by public drug plans representing approximately 70% of the publicly covered lives, in addition to insurance coverage for more than 90% of privately insured

Canadians in-label for Vascepa. Following renewed discussions with British Columbia Pharmacare, the Company now sees a path forward for a Vascepa product listing agreement in that province in the near term that will have positive effect increasing appropriate utilization in both public and private payer segments in that province. Expanded payor coverage, a simplified reimbursement process and a considerable field presence targeting efforts to specialist and primary care physicians is expected to have a growing impact on product sales in subsequent quarters.

For Clozaril, third quarter 2023 results were C$8.9 million, up C$0.3 million or 3% from the previous quarter but down C$0.3 million or 3% from the same period a year ago. The year-to-date Clozaril net sales of C$26.0 million are 2% below the C$26.6 million recorded in the same period a year ago, consistent with the roughly 1% year-over-year growth in patients and the impact of regional variability in results and fluctuations in customer channel inventories. Clozaril in Canada is supported by a comprehensive network of HLS employees including the Clozaril Support and Assistance Network ("CSAN"), that continue to maintain Clozaril as the market-leading therapeutic for treatment-resistant schizophrenia with a growing number of patients and a market share that has grown through the pandemic and despite the impact of Quebec's Bill 92 on our ability to attract new Clozaril patients in Quebec. Over time the Company expects Clozaril net sales growth in local currency to follow the growth in patients.

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 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, which is integrated with the Company's CSAN patient support program, continues to expand to additional key centers with the number of devices in service growing during the quarter. HLS has the exclusive Canadian rights to this device in the field of schizophrenia.

Product sales – United States

For the US Clozaril market, third quarter 2023 net sales of $3.3 million were up 3% from the $3.2 million in net sales in the previous quarter but were down $0.3 million from the same period last year. Results remain resilient as modest erosion in unit volumes was partially offset by small annual price increases. While key fundamentals remain in place, year over year results for the quarter and year-to-date periods reflect a $0.1 and $0.7 million benefit, respectively, in the year ago periods related to expired product returns.

Royalty revenues

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. The Company recorded royalty revenues of $2.6 million for the third quarter 2023, which includes estimated royalties from all four products in the royalty portfolio as the last product was eventually introduced in a number of markets last year. The year-to-date results include a one-time milestone receipt related to the approval of the product that was included in the second quarter of the fiscal 2023.

Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cost of product sales	1,870	1,357	5,091	3,464
Selling and marketing	5,048	4,306	15,180	12,677
Medical, regulatory and patient support	1,675	1,498	4,188	4,121
General and administrative	2,316	2,527	7,040	7,040
	10,909	9,688	31,499	27,302

The growth in Vascepa shipments is the largest driver of the 38% increase in cost of product sales, with the net increase partially offset by favorable purchasing and manufacturing variances.

Other operating expenses increased by 8.5% or $0.7 million, driven by the $0.7 million or 17% increase in selling and marketing expenses, mainly related to Vascepa primary care salesforce expansion. While medical, regulatory and patient support costs increased by $0.2 million in the third quarter compared to the same period last year, General and administrative costs decreased by $0.2 million over the same period. For the nine-month year-to-date period, both medical, regulatory and patient support costs and general and administrative costs are essentially flat when compared to the same year-to-date period last year.

Adjusted EBITDA [(1)]

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Adjusted EBITDA [(1)]	5,128	6,016	15,712	18,490

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

Adjusted EBITDA of $5.1 million for the second quarter of 2023 was down $0.9 million from the same period last year despite higher revenues primarily as a result of higher Selling and marketing expenses and Cost of product sales for Vascepa.

For the nine months ended September 30, 2023, the direct contribution to Adjusted EBITDA from the Clozaril franchise was $21.7 million, while the direct contribution of Vascepa and other HLS products was a loss of $7.0 million and $0.5 million, respectively.

In the second quarter of 2023, the Company decided to not pursue PERSERIS commercialization due to the limited potential for reimbursement in Canada. The Company will continue to review its portfolio to ensure business results are optimized.

Of note, there is limited impact of the decline in the Canadian dollar on the Company's Adjusted EBITDA results so far this year as there is a natural hedge between the positive contribution of the Canadian Clozaril results and the negative contribution of the Vascepa results and Canadian dollar denominated general and administrative costs.

Stock-based compensation

Stock-based compensation relates to the Company's Stock Option Plan, Performance Share Unit plan, and Deferred Share Unit plan. A lower share price and the forfeiture and redemption of units, including

forfeiture of Deferred Share Units by non-executive directors retiring from the Company's Board of Directors in June 2023, has resulted in lower stock-based compensation expense in fiscal 2023.

Amortization and depreciation

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

Finance and related costs, net

Finance and related costs consist primarily of interest on the senior secured term, accreted interest related to debt issuance costs, and fair value adjustments related to financial instruments, including $1.8 million related to contingent consideration in the third quarter of fiscal 2023.

Other costs

In the second quarter of fiscal 2023, the Company recorded an impairment charge of $2.4 million related to the decision to not pursue commercialization of PERSERIS any further and $1.5 million in reorganization costs associated with changes to the leadership of the Company, in particular the appointments of a new Chief Executive Officer and new Chief Commercial Officer. Other costs in the prior year period included a partial impairment of PERSERIS of $3.1 million and reorganization costs of $1.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

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

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

Credit agreement

On August 15, 2018, the Company entered into a credit agreement with a syndicate of bank lenders administered by JPMorgan Chase Bank, N.A. The original maturity date of the credit agreement was August 15, 2023. In September 2022, the Company and its lenders amended the terms of the credit agreement to extend the maturity date of the senior secured term loan portion of the credit agreement by one year to August 15, 2024.

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

Under the terms of the Amended Agreement, the maturity date has been extended to August 11, 2026. The balance on the revolver facility at the time of the amendment was combined with the principal amount remaining on the existing senior secured term loan for a new senior secured term loan balance

of $93.8 million. In addition, there is a new revolving facility of $30.0 million and an expansion facility of up to $70.0 million to support acquisitions and other growth opportunities.

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

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

The principal amount of the senior secured term loan outstanding as at September 30, 2023 was $91.7 million.

The Company may be required to make additional payments from surplus cash flows or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the credit agreement, the lenders have security over substantially all of the assets of the Company.

Under the terms of the credit agreement, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at September 30, 2023, the Company was in compliance with the financial covenants.

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

Return of Capital

The Company's capital management objectives include the flexibility to return capital to shareholders through the Company's dividend policy and its Normal Course Issuer Bid ("NCIB").

During the first three quarters of fiscal 2023, the Company purchased for cancellation 219,369 common shares at an average price of C$5.94 per common share for total consideration of $1.0 million.

The Company's dividend policy had been to declare quarterly dividends of C$0.05 per common share. In fiscal 2023, a quarterly dividend of C$0.05 per common share was declared in March and paid on June 15, 2023.

On May 10, 2023, the Company's Board of Directors cancelled the Company's dividend policy such that share repurchases through the NCIB is now the Company's vehicle for returning capital to shareholders. At its current share price, the Company sees increased share repurchases as an appropriate allocation of capital.

Cash flow

Cash flow from operating activities was $12.1 million for the first three quarters of fiscal 2023 compared with $13.4 million for the same period in fiscal 2022, reflecting continued strong operating results tempered by increased Vascepa costs.

Investing activities were insignificant in the current year-to-date period, while the prior year includes a $10 million royalty milestone payment.

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

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

Financial position

As at September 30, 2023, the Company had cash of $21.8 million and positive working capital. The Company believes that its cash balances and cash flow from operations will be sufficient to fund its operating activities for the ensuing twelve-month period. In addition, the undrawn portion of the revolving facility is available to the Company if needed.

Working capital items such as accounts receivable, inventory, accounts payable, accrued liabilities and provisions experienced fluctuations quarter-over-quarter related to seasonality and timing during fiscal 2023. However, these fluctuations were within normal ranges.

COMMITMENTS AND CONTINGENCIES

There have been no material changes in the commitments undertaken or contingencies faced by the Company since the year ended December 31, 2022, except that the Company determined that the possible claim by one of the Company's commercial marketing services partners noted in the Company's audited consolidated financial statements for the year ended December 31, 2022 will not materialize.

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 September 30, 2023, the fair value of outstanding derivative financial instruments is an asset of $0.1 million, which is recognized on the balance sheet.

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

SELECTED QUARTERLY INFORMATION

	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Product sales				
Canada	9,442	8,811	9,791	10,153
United States	3,991	3,212	3,179	3,289
	13,433	12,023	12,970	13,442
Royalty revenue	2,242	2,734	3,447	2,595
Revenues	15,675	14,757	16,417	16,037
Adjusted EBITDA [(1)]	5,337	5,079	5,505	5,128
Net loss	(6,429)	(5,792)	(9,437)	(6,901)

	2021 Q4	2022 Q1	2022 Q2	2022 Q3
Product sales				
Canada	9,245	8,403	9,527	9,570
United States	4,003	3,443	3,718	3,590
	13,248	11,846	13,245	13,160
Royalty revenue	2,442	2,710	2,287	2,544
Revenues	15,690	14,556	15,532	15,704
Adjusted EBITDA [(1)]	6,182	6,316	6,158	6,016
Net income (loss)	(4,188)	(3,616)	(9,143)	(4,410)

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

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

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

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

OUTSTANDING SHARE DATA

As at November 8, 2023, the Company had: 32,070,754 common shares outstanding and 3,794,701 stock options outstanding (resulting in a maximum issuance of 3,794,701 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, 2022.

For a discussion of the additional risks and uncertainties facing the Company, please see the Company's Annual Information Form ("AIF") dated March 15, 2023, 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, 2022 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, 2022 and are unchanged as of the date of this MD&A, except as follows:

The Company has determined that the useful life of the intangible asset associated with the Vascepa distribution rights is longer than originally estimated when amortization commenced in fiscal 2020. The Company has determined that the expected pattern of consumption of future economic benefit extends to at least fiscal 2039. Accordingly, the Company has concluded that there are at least 17 years of useful life remaining in the Vascepa distribution rights. The Company will continue to review this assumption as additional information becomes available. The impact of this change in estimate is to reduce amortization expense by approximately $1.0 million in the first three quarters of fiscal 2023 and by approximately $1.3 million on an annual basis.

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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR+ at www.sedarplus.ca.