



DRI HEALTHCARE TRUST

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>		As at September 30, 2023	As at December 31, 2022
Assets			
Cash and cash equivalents		\$ 28,208	\$ 36,686
Royalties receivable		40,886	27,748
Other current assets		682	469
Current assets		69,776	64,903
Royalty assets, net of accumulated amortization	note 5	740,040	518,134
Loan receivable	note 6	—	49,897
Derivative assets	note 13	652	—
Other non-current assets		1,054	485
Non-current assets		741,746	568,516
Total assets		\$ 811,522	\$ 633,419
Liabilities			
Accounts payable and accrued liabilities		\$ 6,100	\$ 5,542
Distributions payable to Unitholders	note 8	4,224	2,834
Current portion of credit facility	note 7	39,000	34,571
Current portion of unit-based compensation liability	note 10	881	509
Other current liabilities		946	6,936
Current liabilities		51,151	50,392
Credit facility	note 7	107,582	210,417
Preferred securities	note 7	92,404	—
Unit-based compensation liability	note 10	487	269
Total liabilities		251,624	261,078
Equity			
Unitholders' capital	note 8	518,045	373,577
Other equity	note 8	2,155	—
Accumulated other comprehensive earnings		652	—
Accumulated retained earnings (deficit)		39,046	(1,236)
Total equity		559,898	372,341
Total liabilities and equity		\$ 811,522	\$ 633,419

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

(unaudited)

(in thousands of U.S. dollars except per unit data)

		Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Income					
Royalty income	note 5	\$ 33,964	\$ 25,037	\$ 83,463	\$ 66,290
Interest and other income on loan receivable	note 6	—	1,406	6,506	4,069
Other interest income		179	28	468	33
Total income		34,143	26,471	90,437	70,392
Expenses					
Amortization of royalty assets	note 5	23,589	13,992	62,357	40,188
Management fees	note 17	1,673	1,322	18,909	4,477
Performance fees	note 17	—	—	18,616	—
Interest expense	note 7	7,717	1,351	20,167	2,617
Deal investigation and research expenses	note 11	859	715	2,600	2,365
Unit-based compensation	note 10	2,843	298	3,700	849
Other operating expenses	note 12	1,393	1,179	3,715	3,491
Total expenses		38,074	18,857	130,064	53,987
Net gain on sale of royalty assets	note 4	150	—	109,756	—
Net earnings (loss)		(3,781)	7,614	70,129	16,405
Other comprehensive earnings					
Net unrealized gain on derivative asset	note 13	652	—	652	—
Comprehensive earnings (loss)		\$ (3,129)	\$ 7,614	\$ 70,781	\$ 16,405
Net earnings (loss) per Unit					
Basic	note 9	\$ (0.08)	\$ 0.20	\$ 1.73	\$ 0.42
Diluted	note 9	\$ (0.08)	\$ 0.20	\$ 1.73	\$ 0.42

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Unitholders' Capital	Other Equity	Accumulated Other Comprehensive Earnings	Accumulated Retained Earnings (Deficit)	Total Equity
Balance – December 31, 2021	\$ 374,034	\$ —	\$ —	\$ 4,951	\$ 378,985
Issuance of Units:					
Settlement of vested Restricted Units note 10	349	—	—	—	349
Repurchase and cancellation of Units note 8	(2,510)	—	—	—	(2,510)
Cash distributions to Unitholders note 8	—	—	—	(8,697)	(8,697)
Net earnings and comprehensive earnings	—	—	—	16,405	16,405
Balance – September 30, 2022	\$ 371,873	\$ —	\$ —	\$ 12,659	\$ 384,532
Balance – December 31, 2022	\$ 373,577	\$ —	\$ —	\$ (1,236)	\$ 372,341
Issuance of Units:					
Follow-on public offerings note 8	151,456	—	—	—	151,456
Settlement of vested Restricted Units note 10	1,763	—	—	—	1,763
Unit issuance costs note 8	(6,982)	—	—	—	(6,982)
Issuance of Warrants note 8	—	2,229	—	—	2,229
Warrant issuance costs note 8	—	(74)	—	—	(74)
Repurchase and cancellation of Units note 8	(1,769)	—	—	—	(1,769)
Cash distributions to Unitholders note 8	—	—	—	(29,847)	(29,847)
Other comprehensive earnings note 13	—	—	652	—	652
Net earnings	—	—	—	70,129	70,129
Balance – September 30, 2023	\$ 518,045	\$ 2,155	\$ 652	\$ 39,046	\$ 559,898

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>		Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating Activities			
Comprehensive earnings		\$ 70,781	\$ 16,405
Adjustment for non-cash items:			
Interest and other income on loan receivable	note 6	(6,506)	(4,069)
Interest expense	note 7	20,167	2,617
Amortization of royalty assets	note 5	62,357	40,188
Unit-based compensation expense	note 10	3,700	849
Net gain on sale of royalty assets	note 4	(109,756)	—
		40,743	55,990
Changes in non-cash working capital:			
Royalties receivable		(7,795)	(4,872)
Other current assets		(213)	305
Derivative assets		(652)	—
Other non-current assets		(258)	238
Accounts payable and accrued liabilities		816	(329)
Other current liabilities		(4)	(190)
Other non-current liabilities		513	205
		(7,593)	(4,643)
Cash provided by operating activities		\$ 33,150	\$ 51,347
Financing Activities			
Follow-on public offerings	note 8	\$ 151,456	\$ —
Unit issuance costs	note 8	(6,982)	—
Settlement of vested Restricted Units	note 10	(1,348)	—
Repurchase and cancellation of Units	note 8	(1,769)	(2,510)
Distributions to Unitholders paid in cash	note 8	(28,457)	(17,325)
Drawings from credit facility	note 7	233,715	220,000
Repayment of credit facility	note 7	(332,331)	(48,598)
Cash interest paid	note 7	(18,554)	(1,452)
Debt issuance costs paid	note 7	(914)	(718)
Issuance of Preferred Securities and Warrants	note 7	95,000	—
Preferred Securities and Warrants issuance costs paid	notes 7, 8	(2,997)	—
Cash provided by financing activities		\$ 86,819	\$ 149,397
Investing Activities			
Purchase of royalty assets and other net assets, net of cash	note 4	\$ (391,186)	\$ (244,500)
Cash transaction costs paid	note 4	(3,665)	(1,343)
Proceeds from sale of royalty assets	note 4	210,000	—
Repayment of loan receivable, gross of fees	note 6	53,140	—
Cash interest received	note 6	3,264	3,854
Cash used in investing activities		\$ (128,447)	\$ (241,989)
Increase (decrease) in cash and cash equivalents		\$ (8,478)	\$ (41,245)
Cash and cash equivalents, beginning of period		36,686	61,712
Cash and cash equivalents		\$ 28,208	\$ 20,467

See accompanying notes to the unaudited interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)
(in thousands of U.S. dollars except per unit data)

DRI Healthcare Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust on October 21, 2020, as amended and restated on February 19, 2021. DRI Healthcare Trust is a “mutual fund trust” as defined in the Income Tax Act (Canada) but not a “mutual fund” within the meaning of applicable Canadian securities legislation.

DRI Healthcare Trust was formed to provide Unitholders with differential exposure to the pharmaceutical and biotechnology industries through ownership and acquisitions of pharmaceutical royalties. DRI Capital Inc. (“**DRI Healthcare**”, “**our manager**” or the “**manager**”) acts as the manager for the Trust pursuant to the terms of a management agreement. In December 2022, DRI Capital Inc. changed its brand name to DRI Healthcare in order to be better aligned with the Trust; its legal name remains unchanged. All references in these consolidated financial statements to DRI Healthcare are to DRI Capital Inc.

DRI Healthcare Trust’s Units are listed on the Toronto Stock Exchange (“**TSX**”) in Canadian dollars under the symbol “**DHT.UN**” and in U.S. dollars under the symbol “**DHT.U**”.

The registered address for DRI Healthcare Trust is 100 King Street West, Suite 7250, Toronto, Ontario, M5X 1B1, Canada.

Throughout these statements, “**Trust**”, “**we**”, “**us**” and “**our**” refer to DRI Healthcare Trust and its consolidated subsidiaries.

These unaudited interim condensed consolidated financial statements (the “**consolidated financial statements**”) were authorized for issuance by the board of trustees on November 13, 2023.

NOTE 1 | BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) and its interpretations adopted by the International Accounting Standards Board (“**IASB**”). Accordingly, certain financial information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These consolidated financial statements should be read in conjunction with the Trust’s audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2022 (“**2022 annual consolidated financial statements**”).

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, adjusted for the revaluation of certain financial assets and liabilities recorded at fair value through net earnings (loss) as explained in note 2(e) to the Trust’s 2022 annual consolidated financial statements.

(c) Basis of Consolidation

These consolidated financial statements represent the accounts of DRI Healthcare Trust and its directly or indirectly owned subsidiaries. Control is achieved when the Trust has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of operations of subsidiaries are included in the consolidated financial statements from the date on which the Trust obtains control. All intercompany balances and transactions have been eliminated. There have been no changes to the basis of consolidation as described in the Trust’s 2022 annual consolidated financial statements.

(d) Functional and Presentation Currency

The functional and presentation currency of the Trust is the United States dollar (“**U.S. dollar**”). We present our consolidated financial statements in U.S. dollars. All dollar amounts are expressed in U.S. dollars unless otherwise indicated. Accordingly, all references to “**US\$**”, “**\$**” or “**dollars**” are to U.S. dollars, and all references to “**C\$**” are to Canadian dollars. Dollar amounts in the tables and elsewhere in these consolidated financial statements are presented in thousands of U.S. dollars unless otherwise noted.

(e) Comparative information

Certain comparative figures have been adjusted to conform with the current period’s presentation. In accordance with IAS 1, *Presentation of financial statements*, the deferred unit liability as at December 31, 2022 was reclassified to current from non-current.

NOTE 2 | MATERIAL ACCOUNTING POLICIES

In the preparation of these consolidated financial statements, the Trust has consistently applied the material accounting policies as described in note 2 to the Trust's 2022 annual consolidated financial statements, with the addition of the below material accounting policies.

Warrants

The Trust has classified its Warrants (as defined below) as other equity pursuant to the provisions of IAS 32, *Financial instruments: Presentation*, on the basis that the Warrants meet all of the criteria in IAS 32 for such classification. The Warrants are recognized at fair value, with no subsequent remeasurements recorded.

Closing and transaction costs attributable to the issuance of the Warrants are shown in other equity as a reduction from the fair value of such Warrants.

Derivative Financial Instruments and Hedge Accounting

The Trust uses derivative financial instruments such as interest rate swaps to manage its exposure to interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are used only for economic hedging purposes and not as speculative instruments.

The Trust designates certain derivatives as cash flow hedges. When hedge accounting is applied, the Trust documents at the inception of the hedging transaction, the relationship between the hedging instrument and hedged item as well as its risk management objective and strategy for undertaking various hedge transactions. The Trust also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used for hedging transactions have been and will continue to be highly effective in offsetting changes in fair values and cash flows of hedged items. All gains and losses related to the effective portion of hedges are recorded in other comprehensive earnings, ineffectiveness is recognized immediately in net earnings. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive earnings by the application of hedge accounting is recognized in net earnings over the remaining term of the original hedging relationship when the hedged future cash flows are still expected to occur. If the hedged future cash flows are no longer expected to occur, the amount is immediately reclassified in net earnings.

Derivatives are classified as current when the remaining maturity of the contract is less than 12 months.

NOTE 3 | USE OF JUDGMENTS AND ESTIMATES

In the preparation of these consolidated financial statements, the Trust has used consistent judgments and estimates as described in note 3 to the Trust's 2022 annual consolidated financial statements.

NOTE 4 | ASSET TRANSACTIONS

Transactions Completed in 2023

(a) Tzield Transactions

On March 8, 2023, the Trust bought royalties on the sales of Tzield (teplizumab-mzwv) for \$100,000. The transaction was funded on March 14, 2023 and entitled the Trust to a single-digit royalty on worldwide net sales of Tzield. Tzield is a biologic drug indicated to delay the onset of stage 3 type 1 diabetes in adults and pediatric patients aged 8 years and older who have stage 2 (at-risk) type 1 diabetes. It was approved by the U.S. Food and Drug Administration ("FDA") in November 2022. Tzield is marketed by Sanofi S.A. ("**Sanofi**").

The Trust was entitled to receive quarterly royalty payments on a one-quarter lag based on Tzield sales beginning January 1, 2023. The Trust recognized acquired royalties receivable of \$96 related to the Trust's royalty entitlement accrued from January 1, 2023 to March 8, 2023, the date of the royalty transaction. Transaction costs of \$712 were capitalized as part of the royalty transaction.

On April 27, 2023, the Trust sold its royalty interest in the worldwide net sales of Tzield to a subsidiary of Sanofi for \$210,000. Pursuant the terms of the agreement, the Trust assigned to Sanofi its obligation to pay up to \$100,000 in milestone payments to the extent the pre-specified events and thresholds are met. The Trust declared a special cash distribution of \$20,000 using the proceeds from this transaction to Unitholders of record as of June 30, 2023, as described in note 8. In addition, the Trust used a portion of the sale proceeds to pay down the balance outstanding under the Trust's revolving acquisition credit facility on May 2, 2023, as described in note 7.

(b) Additional Empaveli/Syfovre Royalty Stream

On April 3, 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for \$3,700. The transaction entitles the Trust to an additional fractional percentage of worldwide net sales of pegcetacoplan. The Trust is entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing July 1, 2022 to be paid on a three-quarter lag. The cash royalty receipts generated from July 1, 2022 to September 30, 2022 totaled \$14 and were applied as a reduction in the total cash consideration transferred in the transaction. The Trust has recognized acquired royalties receivable of \$72 related to the Trust's royalty entitlement accrued from October 1, 2022 to April 3, 2023, the date of the royalty transaction. Transaction costs of \$254 were capitalized as part of the royalty transaction.

The Trust's royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction. In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to an additional payment of \$4,000 if worldwide net sales exceed certain thresholds within a predefined period of time.

(c) Orserdu Transaction

On June 29, 2023, the Trust bought royalties on the sales of Orserdu for \$85,000 (“**Orserdu I**”). The transaction entitles the Trust to a mid-single digit tiered royalty on the worldwide net sales of Orserdu. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. The Trust received its first payment in the third quarter of 2023. The Trust has recognized acquired royalties receivable of \$3,415 related to the Trust’s royalty entitlement accrued from April 1, 2023 to June 29, 2023, the date of the royalty transaction. The acquired royalties receivable and the value of the royalty asset were adjusted in the third quarter of 2023 to reflect the actual royalties received for the period from April 1, 2023 to June 29, 2023. Transaction costs of \$975 were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, the Trust is also entitled to receive up to \$55,000 in milestone royalty payments based on the achievement of regulatory approvals and sales performance thresholds. Orserdu was approved for the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy by the FDA in January 2023 and by the European Medicines Agency (“**EMA**”) in September 2023. The approval of Orserdu by the EMA triggered milestone royalty income of \$2,750, which was recognized in royalty income by the Trust during the third quarter of 2023 and is expected to be received in the fourth quarter of 2023. Orserdu was discovered by Eisai Co., Ltd. and is marketed by Menarini Group (“**Menarini**”).

(d) Additional Vonjo Royalty Stream

On July 7, 2023, the Trust bought an additional royalty stream on Vonjo for \$66,000 (“**Vonjo II**”). This royalty is in addition to our existing Vonjo royalty acquired in 2022, as described in the Vonjo Transaction section below. The transaction was funded on July 25, 2023 and entitles the Trust to a tiered royalty on worldwide net sales of Vonjo. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. The Trust received its first payment in the third quarter of 2023. The Trust is also entitled to receive up to \$107,500 in milestone royalty payments.

The Trust has recognized acquired royalties receivable of \$557 related to the Trust’s royalty entitlement accrued from April 1, 2023 to July 25, 2023, the date of the royalty transaction. Transaction costs of \$951 were capitalized as part of the royalty asset acquired.

(e) Additional Orserdu Royalty Stream

On August 14, 2023, the Trust bought an additional royalty stream on Orserdu for \$130,000 (“**Orserdu II**”). This royalty is in addition to our existing Orserdu royalty acquired on June 29, 2023. The transaction entitles the Trust to a net low to high single digit tiered royalty on the worldwide net sales of Orserdu. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2023, with the first payment expected to be received in the fourth quarter of 2023. The Trust has recognized acquired royalties receivable of \$1,299 related to the Trust’s royalty entitlement accrued from July 1, 2023 to August 14, 2023, the date of the royalty transaction. Transaction costs of \$1,574 were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, the Trust is also entitled to receive up to \$40,000 in milestone royalty payments on the achievement of sales performance thresholds. Upon the occurrence of pre-specified events, the Trust is obligated to pay a \$10,000 milestone to the royalty seller.

Summary of Transactions Completed in 2023

The following is a summary of the transactions completed during the nine months ended September 30, 2023:

	Tzield Transaction ⁽ⁱ⁾	Empaveli/Syfovre Transaction	Orserdu I Transaction ⁽ⁱⁱ⁾	Vonjo II Transaction	Orserdu II Transaction	Total for the nine months ended September 30, 2023
Assets						
Cash and cash equivalents	\$ —	\$ 14	\$ —	\$ —	\$ —	14
Royalties receivable	96	72	3,415	557	1,299	5,439
Royalty assets	99,904	3,614	81,585	65,443	128,701	379,247
Net acquired assets	\$ 100,000	\$ 3,700	\$ 85,000	\$ 66,000	\$ 130,000	384,700

(i) On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield, as described above. The net book value of the royalty asset was \$99,450 at the time of the sale, as described in note 5. Acquired royalties receivable of \$96 were reversed as the entitlement to the royalty income was sold.

(ii) During the third quarter of 2023, the acquired royalties receivable and value of the royalty asset were adjusted to reflect the actual royalties received for the period from April 1, 2023 to June 29, 2023.

Transactions Completed in 2022**(a) Vonjo Transaction**

On August 25, 2021, concurrent with the agreement to provide a \$50,000 secured loan to CTI BioPharma Corp. (“**CTI**”), as described in note 6, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the FDA, for \$60,000 (“**Vonjo I**”).

On February 28, 2022, the FDA approved pacritinib under the brand name Vonjo for the treatment of adult myelofibrosis patients with platelets below $50 \times 10^9/L$. Myelofibrosis is a bone marrow cancer that results in the formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the funding of the above noted tiered royalty transaction for \$60,000, which occurred on March 7, 2022. Transaction costs of \$632 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, CTI was entitled to additional consideration of \$6,500 in the event that Vonjo sales exceed certain thresholds on or before March 31, 2023 ("**Net Sales Threshold I**") and an additional \$18,500 in the event that Vonjo sales exceed certain thresholds on or before September 30, 2023 ("**Net Sales Threshold II**"). In January 2023, CTI confirmed that Vonjo sales exceeded Net Sales Threshold I. Accordingly, the Trust recognized a royalty asset of \$6,500 and funded the milestone payment on January 25, 2023. As at September 30, 2023, the conditions for Net Sales Threshold II were not met and the additional milestone payment was not made.

The transaction entitles the Trust to receive royalties equal to 9.60% on the first \$125,000 of annual net sales in the United States, 4.50% on annual net sales in the United States between \$125,000 and \$175,000, 0.50% on annual net sales in the United States between \$175,000 and \$400,000, and will have no entitlement to royalties on annual net sales in the United States exceeding \$400,000. Royalties are collected on a one-quarter lag.

(b) Empaveli/Syfovre Transaction

On July 20, 2022, the Trust bought royalties on the sales of Empaveli/Syfovre (pegcetacoplan) for \$24,500. The transaction entitles the Trust to a less than 1.0% royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of \$500,000 in each calendar year. The Trust will not be entitled to any royalty above the cap. As part of the transaction, the Trust had an option to increase the annual sales cap to \$1.1 billion in exchange for a one-time payment of \$21,000. The Trust did not exercise this option prior to its expiry in June 2023. The Trust is entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing January 1, 2022 to be paid on a three-quarter lag. The Trust received its first payment in the fourth quarter of 2022. The Trust's royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction.

The Trust has recognized royalty assets of \$23,646 related to Empaveli/Syfovre and other current assets of \$500 related to the option to increase the annual sales cap. The Trust recorded amortization related to the option on a straight-line basis over the period from July 20, 2022, the date of the royalty transaction, to June 1, 2023, the expiry date of the option. The Trust has recognized acquired royalties receivable of \$354 related to the Trust's royalty entitlement accrued from January 1, 2022 to July 20, 2022, the date of the royalty transaction. Transaction costs of \$788 were capitalized as part of the royalty asset acquired.

Empaveli is the first targeted C3 therapy for use in adults with paroxysmal nocturnal hemoglobinuria and was approved for that indication by the FDA and the EMA in 2021. It is marketed in the United States by Apellis Pharmaceuticals Inc. ("**Apellis**") and outside the United States, including the EU, by Swedish Orphan Biovitrum AB ("**Sobi**"), where it is marketed under the brand name Aspaveli.

On February 17, 2023, the FDA further approved pegcetacoplan as a treatment for geographic atrophy secondary to age-related macular degeneration. The treatment is marketed in the United States by Apellis under the brand name Syfovre. The Trust's royalty entitlement on Syfovre is consistent with that of Empaveli, as described above.

(c) Zejula Transaction

On September 9, 2022, the Trust bought royalties on the sales of Zejula for \$35,000. The transaction entitles the Trust to a net 0.5% royalty on worldwide net sales of Zejula by GSK plc. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2022, and received its first payment in the fourth quarter of 2022. Acquired royalties receivable of \$594 are related to the Trust's royalty entitlement from July 1, 2022 to September 9, 2022, the date of the royalty transaction. Transaction costs of \$566 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, the Trust is committed to making a milestone payment of \$10,000 should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025. Zejula is approved by the FDA and the EMA as a treatment for first-line and recurrent ovarian cancer. In February 2023, Zejula was approved by the EMA in combination with Zytiga (abiraterone-acetate), in the form of a dual action tablet, plus prednisolone, for the treatment of metastatic castration-resistant prostate cancer and breast cancer gene mutations (germline and/or somatic) in whom chemotherapy is not clinically indicated.

(d) Omidria Transaction

On September 30, 2022, the Trust bought royalties on the sales of Omidria for \$125,000. In accordance with the terms of the royalty agreement, the Trust is entitled to receive royalties until December 2030 subject to annual caps. Royalties are collected on a monthly basis. The details of the annual royalty caps are presented below:

	Annual Royalty Cap
September 1, 2022 – December 31, 2022	\$ 1,670
2023	\$ 13,000
2024	\$ 20,000
2025	\$ 25,000
2026	\$ 25,000
2027	\$ 25,000
2028	\$ 25,000
2029	\$ 26,250
2030	\$ 27,500

The Trust recognized acquired royalties receivable of \$418 related to the Trust's royalty entitlement accrued from September 1, 2022 to September 30, 2022, the date of the royalty transaction. Transaction costs of \$1,116 were capitalized as part of the royalty asset acquired.

Omidria was approved by the FDA in May 2014 and the EMA in July 2015 for intracameral use during cataract surgery or intraocular lens replacement to maintain pupil dilation and reduce postoperative pain. Omidria is marketed worldwide by Rayner Surgical.

(e) Xenpozyme Transaction

On November 25, 2022, the Trust bought royalties on the sales of Xenpozyme for \$30,000. The transaction entitles the Trust to royalties equal to approximately 1.0% of worldwide net sales of Xenpozyme. The Trust is entitled to receive semi-annual royalty payments in respect of net sales of Xenpozyme commencing from the transaction date on a two-quarter lag from the respective half-year period. For sales made in the first and second quarters of the year, the Trust expects to receive its royalty payment in the fourth quarter of that year. For sales made in the third and fourth quarters of the year, the Trust expects to receive its royalty payment in the second quarter of the following year. The Trust received the first royalty payment in the third quarter of 2023 related to sales for the second half of 2021 and all of 2022. The royalty payment related to sales for the first half of 2023 is expected in the fourth quarter of 2023. Transaction costs of \$1,506 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to additional consideration of up to \$26,500 in the event that cumulative royalties received by the Trust on Xenpozyme sales exceed certain thresholds within a predefined period of time.

Xenpozyme is approved for the treatment of non-central nervous system manifestations of acid sphingomyelinase deficiency ("ASMD"), also known as Niemann-Pick disease types A, A/B and B, in pediatric and adult patients. Xenpozyme was approved in Japan in March 2022, by the European Commission in June 2022 and by the FDA in August 2022. Xenpozyme is marketed worldwide by Sanofi.

Summary of Transactions Completed in 2022

The following is a summary of the transactions completed during the year ended December 31, 2022:

	Vonjo Transaction	Empaveli/Syfovre Transaction	Zejula Transaction	Omidria Transaction	Xenpozyme Transaction	Total for the year ended December 31, 2022
Assets						
Royalties receivable	\$ —	\$ 354	\$ 594	\$ 418	\$ —	\$ 1,366
Other current assets	—	500	—	—	—	500
Royalty assets	66,500	23,646	34,406	124,582	30,000	279,134
Net acquired assets	\$ 66,500	\$ 24,500	\$ 35,000	\$ 125,000	\$ 30,000	\$ 281,000

NOTE 5 | ROYALTY ASSETS

The following table presents a roll of the royalty assets held by the Trust. Royalty assets were acquired by the Trust in the asset transactions, as described in note 4.

	Cost	Accumulated Amortization	Net Book Value
As at January 1, 2022	\$ 335,495	\$ (41,837)	\$ 293,658
Additions ⁽ⁱ⁾	252,037	—	252,037
Amortization	—	(40,188)	(40,188)
Dispositions ⁽ⁱⁱ⁾	(1,956)	1,956	—
As at September 30, 2022	585,576	(80,069)	505,507
Additions ⁽ⁱⁱⁱ⁾	31,705	—	31,705
Amortization	—	(19,078)	(19,078)
As at December 31, 2022	617,281	(99,147)	518,134
Additions ^(iv)	383,713	—	383,713
Amortization	—	(62,357)	(62,357)
Dispositions ^(v)	(100,616)	1,166	(99,450)
As at September 30, 2023	\$ 900,378	\$ (160,338)	\$ 740,040

(i) Includes capitalized transaction costs of \$632 related to the Vonjo Transaction, \$788 related to the Empaveli/Syovre Transaction, \$566 related to the Zejula Transaction and \$1,116 related to the Omidria Transaction, as described in note 4.

(ii) The Trust wrote off the royalty assets and related accumulated amortization held by ROC Royalties S.à r.l. as part of the entity's dissolution on June 22, 2022. The net book value of the royalty assets was nil at the time of dissolution.

(iii) Includes capitalized transaction costs of \$1,506 related to the Xenpozyme Transaction, as described in note 4.

(iv) Includes capitalized transaction costs of \$712 related to the Tzield Transaction, \$254 related to the additional Empaveli/Syovre stream, \$975 related to the Orserdu I Transaction, \$951 related to the Vonjo II Transaction and \$1,574 related to the Orserdu II Transaction, as described in note 4.

(v) The Trust sold its royalty interest in the worldwide sales of Tzield on April 27, 2023, as described in note 4. The net book value of the royalty asset was \$99,450 at the time of the sale.

As at September 30, 2023, the net book value of our royalty assets was \$740,040 (December 31, 2022 – \$518,134), net of accumulated amortization of \$160,338 (December 31, 2022 – \$99,147). During the nine months ended September 30, 2023, the Trust recorded additions to the cost of its royalty assets totaling \$383,713 (December 31, 2022 – \$283,742) related to the royalty transactions as described in note 4. In addition, the Trust recorded a disposition to the cost of its royalty assets of \$100,616 and related accumulated amortization of \$1,166 (December 31, 2022 – \$ and \$1,956, respectively) related to the Tzield sale, as described in note 4.

On October 4, 2022, Takeda Pharmaceutical Company Ltd. (“**Takeda**”) announced that it will discontinue manufacturing the pharmaceutical Natpara globally at the end of 2024 due to unresolved manufacturing issues related to protein and rubber particle formation. As a result, Takeda will not re-commercialize Natpara in the United States. Beyond 2024, Takeda intends to supply available doses to Europe and other regions around the world until the inventory of Natpara is depleted or expired.

Since the announcement by Takeda, the Trust has been performing an ongoing review of Natpara as the announcement represents an indicator of potential impairment that requires the Trust to determine the recoverable amount of Natpara to assess if the asset is impaired as at September 30, 2023. The Trust has been reviewing various options with respect to Natpara to minimize any loss in future royalty income and it has developed discounted cash flow models based on forecasted royalties to support these options. Key assumptions and sources of estimation uncertainty relate to future cash flows, including future sales of Natpara, royalty rates and related probabilities and the discount rate. Based on management's analysis performed to date, the Trust has not recognized an impairment in the net book value of the Natpara royalty asset as at September 30, 2023. The net book value of Natpara as at September 30, 2023 is \$13,592 (December 31, 2022 – \$19,399). Given the ongoing review it is reasonably possible, on the basis of existing knowledge, that outcomes in upcoming quarters will be different from the assumptions used as at September 30, 2023 and could require an adjustment to the carrying value of the Natpara royalty asset.

The following table presents details about the products underlying the Trust's royalty assets as at September 30, 2023:

Royalty Asset	Therapeutic Area	Primary Marketer(s)	Acquisition Quarter	Expected Royalty Expiry ⁽ⁱ⁾
Empaveli/Syfovre ^{(ii),(iii)}	Hematology/Ophthalmology	Apellis, Sobi	Q3 2022	Q4 2033
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
FluMist	Influenza	AstraZeneca	Q1 2021	Q4 2023
Natpara	Endocrinology	Takeda	Q1 2021	Q3 2025
Omidria	Ophthalmology	Rayner Surgical	Q3 2022	Q4 2030
Oracea	Dermatology	Galderma	Q3 2021	Q1 2028
Orserdu I	Oncology	Menarini	Q2 2023	Q1 2035
Orserdu II	Oncology	Menarini	Q3 2023	Q1 2035
Rydapt	Oncology	Novartis	Q1 2021	Q1 2028
Spinraza	Neurology	Biogen	Q1 2021	Q3 2031
Stelara, Simponi and Ilaris ^(iv)	Immunology	Johnson & Johnson, Merck, Mitsubishi Tanabe, Novartis	Q1 2021	Q1 2025
Vonjo I	Hematology	Sobi	Q1 2022	Q2 2034
Vonjo II	Hematology	Sobi	Q3 2023	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	Q4 2022	Q4 2036
Xolair	Immunology	Roche, Novartis	Q1 2021	Q2 2032
Zejula	Oncology	GSK	Q3 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	Q1 2021	Q2 2028
Other Products ^(v)	Various	Various	Various	n/a

- (i) Represents the quarter during which the final royalty payment is expected and is based on our manager's estimates of patent expiry dates in key geographies, loss of exclusivity and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring.
- (ii) On February 17, 2023, the FDA approved Syfovre (pegcetacoplan) as a treatment for geographic atrophy. The Trust's royalty entitlement on Syfovre is consistent with that of Empaveli, as described in note 4.
- (iii) Empaveli/Syfovre includes two royalty streams on each product held directly. In Q2 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre, as described in note 4. The expected royalty expiry is consistent with the Empaveli/Syfovre royalty stream bought in Q3 2022.
- (iv) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
- (v) Other Products includes royalty assets which are not individually material, as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

The following table presents the Trust's royalty income and net book value by royalty assets:

Royalty Asset	Royalty Income				Net Book Value	
	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	As at September 30, 2023	As at December 31, 2022
Empaveli/Syfovre ⁽ⁱ⁾	\$ 815	\$ 125	\$ 2,492	\$ 125	\$ 25,445	\$ 23,437
Eylea I	1,325	1,302	3,988	4,251	12,330	15,164
Eylea II	288	1,427	882	4,661	6,405	7,877
FluMist	948	2,487	979	2,592	—	2,096
Natpara	569	688	1,815	2,002	13,592	19,399
Omidria ⁽ⁱⁱ⁾	3,250	—	9,750	—	110,161	121,782
Oracea	2,753	2,087	6,938	6,271	27,338	32,144
Orserdu I ^{(ii),(iii)}	6,330	—	6,355	—	80,724	—
Orserdu II ⁽ⁱⁱ⁾	1,320	—	1,320	—	128,801	—
Rydapt	1,698	2,531	6,326	8,207	7,569	8,899
Spinraza	4,287	3,655	12,048	11,495	78,969	86,587
Stelara, Simponi and Ilaris ^{(iv),(v)}	436	765	1,043	2,633	2,412	3,871
Vonjo I	3,079	2,443	8,110	3,230	58,698	62,876
Vonjo II ⁽ⁱⁱ⁾	481	—	481	—	65,254	—
Xenpozyme ⁽ⁱⁱ⁾	102	—	472	—	29,528	31,293
Xolair	2,644	2,139	8,359	7,757	43,453	47,389
Zejula	770	145	2,329	145	31,495	33,973
Zytiga	2,436	4,828	8,264	11,152	15,558	18,465
Other Products ^(vi)	433	415	1,512	1,769	2,308	2,882
Total	\$ 33,964	\$ 25,037	\$ 83,463	\$ 66,290	\$ 740,040	\$ 518,134

(i) Empaveli/Syfovre includes two royalty streams on each product held directly.

(ii) The Trust recorded no royalty income related to Omidria, Orserdu I, Orserdu II, Vonjo II or Xenpozyme prior to September 30, 2022 as the Trust obtained control over the royalty assets in subsequent periods, as described in note 4.

(iii) Royalty income for Orserdu I for the three months ended September 30, 2023 includes \$2,750 in milestone royalty income.

(iv) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

(v) During the third quarter of 2021, the Trust recorded an other current liability of \$718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with Ilaris prior to the Trust's acquisition of the asset. Royalties receivable of \$334 were used to reduce the obligation during the nine months ended September 30, 2022, respectively. There is no remaining obligation as at September 30, 2023 (December 31, 2022 – nil) related to the past overpayments of Ilaris.

(vi) Other Products includes royalty assets which are not individually material, as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

Royalty Income

Royalty income for the three and nine months ended September 30, 2023 was \$33,964 and \$83,463, respectively (2022 – \$25,037 and \$66,290, respectively). The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets. For the three and nine months ended September 30, 2023, the Trust recorded royalty income earned related to Omidria, Orserdu I, Orserdu II, Vonjo II and Xenpozyme, which were added to the portfolio subsequent to September 30, 2022. For the three months ended September 30, 2023, the Trust also recorded milestone royalty income of \$2,750 for Orserdu I upon the achievement of the EMA approval, as described in note 4. Royalty entitlement rights related to Stelara, Simponi and Ilaris continued to expire in major geographic areas throughout 2022 and the first three quarters of 2023 in accordance with the terms of the royalty agreements.

Net Book Value

During the three and nine months ended September 30, 2023, the Trust recorded additions to the cost of its royalty assets totaling \$195,464 and \$383,713, respectively (December 31, 2022 – \$283,742) related to the royalty transactions, as described in note 4.

During the three and nine months ended September 30, 2023, the Trust recorded amortization expense of \$23,589 and \$62,357, respectively (2022 – \$13,992 and \$40,188, respectively). The Trust records amortization related to royalty assets from the date on which the Trust obtains control of those assets. During the three and nine months ended September 30, 2023, the Trust recorded amortization related to Omidria, Orserdu I, Orserdu II, Vonjo II and Xenpozyme, which were acquired subsequent to September 30, 2022.

NOTE 6 | LOAN RECEIVABLE

On August 25, 2021, concurrent with the agreement regarding the tiered royalty on Vonjo, as described in note 4, the Trust provided CTI \$50,000 in secured debt, the proceeds of which were used by CTI to partially fund the commercialization of Vonjo.

On June 26, 2023, CTI prepaid all amounts outstanding under the loan agreement, resulting in a prepayment of \$54,771, which included \$50,000 for the principal balance outstanding, \$1,000 for exit fees, \$1,631 for accrued interest and \$2,140 for prepayment premiums. The loan prepayment was driven by Sobi's acquisition of CTI. As a result of the prepayment, the loan agreement between the Trust and CTI was terminated. The Trust maintains its royalty investment in Vonjo pursuant to the purchase and sale agreement, as described in note 4.

The loan receivable bore interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and was set to mature on August 25, 2026. Interest payments were due quarterly and the principal amount of the loan was due on maturity. The Trust was also entitled to receive an exit fee of 2.00% on the principal balance repaid. A commitment fee of \$500 was received by the Trust and was recorded as a reduction in the gross principal amount receivable.

The carrying amount of the Trust's loan receivable and the related interest and other income are presented below:

		As at September 30, 2023	As at December 31, 2022
Principal loan receivable	\$	—	\$ 50,000
Unamortized commitment fee		—	(368)
Exit fee receivable		—	265
Loan receivable	\$	—	\$ 49,897

		Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest on principal loan receivable	\$	—	\$ 1,340	\$ 3,264	\$ 3,854
Amortization of commitment fee		—	22	368	72
Accretion of exit fee received		—	44	734	143
Premiums for prepayment		—	—	2,140	—
Interest and other income on loan receivable	\$	—	\$ 1,406	\$ 6,506	\$ 4,069

NOTE 7 | CREDIT FACILITY AND PREFERRED SECURITIES

Credit Facility

On October 22, 2021, the Trust entered into the credit agreement (the "**credit agreement**") for credit facilities comprised of (i) a \$175,000 senior secured revolving acquisition credit facility ("**acquisition credit facility**") with the initial amounts drawn used to repay the balance of the previously outstanding secured notes and the remaining capacity to be used for financing future transactions; and (ii) a \$25,000 senior secured revolving working capital credit facility ("**working capital credit facility**", together with the acquisition credit facility, the "**credit facility**"), the proceeds from which are used for general business purposes and to finance transactions. The unused portion of the credit facility was subject to standby fees of 0.40% to 0.50% based on the Trust's leverage ratio.

On April 20, 2022, the Trust entered into an amended and restated credit agreement (the "**amended credit agreement**"), as amended from time to time, that added a new tranche to the credit facility consisting of a \$150,000 delayed draw term loan ("**term credit facility**"), which can be drawn against to fund future transactions. As part of the first amendment, the interest rate for new drawings on the amended credit facility was revised from LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio to SOFR plus (i) a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing.

On March 30, 2023, the Trust further amended its amended credit agreement to revise the total credit available to \$225,000 under the acquisition credit facility and to \$88,750 under the term credit facility, and to adjust certain financial covenants to provide greater flexibility (as further amended from time to time, the "**amended credit facility**"). The interest rate on the amended credit facility was also revised to SOFR plus (i) a margin which may vary from 2.00% to 2.75% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing. The range of standby fees was revised to 0.40% to 0.55% based on the Trust's leverage ratio. The maturity date of the amended credit facility was also extended to March 30, 2026 from the original maturity date of October 22, 2024.

Interest payments are due on a quarterly basis and principal repayments totaling 3.75% of a predetermined reference amount are due on a quarterly basis for the acquisition credit facility and term credit facility. Principal repayments on the working capital credit facility are due on maturity. Principal repayments do not result in a corresponding decrease in the borrowing capacity under the acquisition credit facility and working capital credit facility. As principal repayments result in a corresponding cancellation in the borrowing capacity under the term credit facility, there is no remaining available credit under the term credit facility as at September 30, 2023 (December 31, 2022 – nil).

During the nine months ended September 30, 2023 and year ended December 31, 2022, the Trust drew on its amended credit facility to fund royalty transactions, as described in note 4. The details of the draws are presented below:

	Draw Date	Facility	Amount
2022			
Vonjo	March 7, 2022	Acquisition credit facility \$	60,000
Zejula	September 9, 2022	Term credit facility	35,000
Omidria	September 28, 2022	Term credit facility	115,000
Omidria	September 28, 2022	Acquisition credit facility	10,000
Xenpozyme	November 25, 2022	Acquisition credit facility	30,000
Total		\$	250,000
2023			
Tzield ⁽ⁱ⁾	March 6, 2023	Acquisition credit facility \$	70,000
Empaveli/Syfovre	April 3, 2023	Acquisition credit facility	3,715
Orserdu I	June 28, 2023	Acquisition credit facility	85,000
Orserdu II ⁽ⁱ⁾	August 10, 2023	Acquisition credit facility	75,000
Total		\$	233,715

(i) The Tzield and Orserdu II Transactions were partially funded by the Trust's existing cash and cash flows.

During the three and nine months ended September 30, 2023, the Trust made regular principal repayments related to its amended credit facility of \$9,750 and \$37,909, respectively (2022 – \$10,024 and \$18,072, respectively). During the nine months ended September 30, 2023, the Trust made total credit facility repayments of \$332,331 (2022 – \$48,598), including voluntary principal repayments of \$294,422 (2022 – \$30,526), using the proceeds from the issuance of the Preferred Securities, as described below, and the proceeds from the sale of the royalty interest in Tzield, as described in note 4.

The carrying amount of the Trust's amended credit facility is presented below:

	As at September 30, 2023			As at December 31, 2022
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	\$ 225,000	\$ 154,188	\$ 70,812	\$ 102,554
Working capital credit facility	25,000	25,000	—	—
Term credit facility	88,750	—	77,500	144,375
	\$ 338,750	\$ 179,188	\$ 148,312	\$ 246,929
Deferred transaction costs, net of amortization	n/a	n/a	(1,730)	(1,941)
Total	\$ 338,750	\$ 179,188	\$ 146,582	\$ 244,988
Current portion of credit facility			\$ 39,000	\$ 34,571
Long-term portion of credit facility			107,582	210,417
Total			\$ 146,582	\$ 244,988

The following table presents expected principal repayments to be made until the maturity of the amended credit facility as at September 30, 2023:

	Total
Remainder of: 2023	\$ —
Full year: 2024	48,750
Full year: 2025	39,000
Full year: 2026	60,562
	\$ 148,312

Subsequent to September 30, 2023, the Trust increased the total credit available under its amended credit facility to \$500,000, comprised of (i) a \$375,000 acquisition credit facility; (ii) a \$25,000 working capital credit facility; and (iii) a \$100,000 term credit facility. The maturity date of the credit facility has also been extended to October 31, 2026, from March 30, 2026. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders. All other material terms of the amended credit agreement remain unchanged.

The Trust is subject to certain financial as well as customary non-financial covenants under the amended credit agreement. Certain compliance requirements have also been revised as part of the amended credit facility. Substantially all of the assets of the Trust are pledged as collateral under the amended credit agreement. As at September 30, 2023, the Trust was in compliance with all covenant requirements under the amended credit agreement.

Preferred Securities

On February 8, 2023, the Trust completed a private placement of securities (the “**Private Placement**”) to a group of investors, the proceeds from which were used to repay amounts owing under the Trust’s amended credit facility. The Private Placement provided gross proceeds of \$95,000 to the Trust through the sale of \$95,000 principal amount of Series A Preferred Securities, \$19,760 principal amount of Series B Preferred Securities (collectively, the “**Preferred Securities**”) and the issuance of 6,369,180 warrants (the “**Warrants**”). The Warrants are further described in note 8. The Preferred Securities are unsecured, subordinated debt securities of the Trust. The Preferred Securities will initially pay cash interest at a rate of 7.04% per annum on the principal amount of the Preferred Securities, payable semi-annually on June 30 and December 31 of each year.

The Series A Preferred Securities will mature on February 8, 2023 and the Series B Preferred Securities will mature on December 27, 2027. The Series A Preferred Securities can be redeemed at par, at the option of the Trust, at any time from and after December 27, 2027. The Preferred Securities will not be redeemable by the Trust prior to December 27, 2027, except in the event of a change of control of the Trust, in which case the Preferred Securities will be subject to a mandatory redemption.

The interest rate on the Series A Preferred Securities will increase to 10% per annum if any of the Series A Preferred Securities are outstanding on January 1, 2028 and will be subject to an annual increase of 1.5% per annum if any of the Series A Preferred Securities remain outstanding on each one year anniversary of such date, up to a specified cap.

The Trust initially recognized the Preferred Securities using a discount rate of 12.77%, which is indicative of the fair market value of the Preferred Securities at the time of issuance. The carrying amount of the Preferred Securities is accreted to its par value up until December 27, 2027, which is the date at which the Series A Preferred Securities may be redeemed by the Trust and the stated maturity date for the Series B Preferred Securities. Deferred transaction costs of \$2,923 were also initially recognized and are being amortized using the effective interest rate method over the same period as the Preferred Securities accretion period.

The carrying amount of the Preferred Securities is presented below:

		As at September 30, 2023	As at December 31, 2022
Series A	\$	78,622	\$ —
Series B		16,353	—
	\$	94,975	\$ —
Deferred transaction costs, net of amortization		(2,571)	—
Total	\$	92,404	\$ —

The summary of interest expense for the three and nine months ended September 30, 2023 and 2022 is presented below:

	Three months ended September 30, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Nine months ended September 30, 2022	
Interest on credit facility net borrowings	\$	4,080	\$	1,009	\$	10,749	\$	1,776
Standby fees		154		273		534		677
Amortization of deferred transaction costs		423		69		1,124		164
Total interest expense on credit facilities	\$	4,657	\$	1,351	\$	12,407	\$	2,617
Interest on Preferred Securities	\$	2,037	\$	—	\$	5,202	\$	—
Accretion of par value		884		—		2,205		—
Amortization of deferred transaction costs		139		—		353		—
Total interest expense on Preferred Securities	\$	3,060	\$	—	\$	7,760	\$	—
Total interest expense	\$	7,717	\$	1,351	\$	20,167	\$	2,617

NOTE 8 | EQUITY

Authorized Equity

The authorized equity capital consists of (i) an unlimited number of Units; and (ii) an unlimited number of Preferred Units, issuable in series.

(i) Units

Each Unit represents a proportionate undivided beneficial ownership interest in the Trust, which entitles the holder to one vote, participation in distributions made by the Trust on a pro rata basis and, in the event of the termination or winding-up of the Trust, in the pro rata share of its net assets remaining after the satisfaction of all its liabilities. Units are fully paid and non-assessable when issued and are transferable. The Units rank among themselves equally and ratably without discrimination, preference or priority. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders. The Units are redeemable by the holder thereof and the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units do not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

The following table outlines the changes in the number of Units outstanding from December 31, 2021 to September 30, 2023:

	Units	Weighted Average Cost per Unit	Total Cost
Balance – December 31, 2021	39,079,680	n/a	\$ 374,034
Issuance of Units:			
Units issued on the settlement of vested Restricted Units	64,070	\$ 5.45	\$ 349
Repurchase and cancellation of Units – NCIB	(477,980)	\$ 5.25	\$ (2,510)
Balance – September 30, 2022	38,665,770	n/a	\$ 371,873
Issuance of Units:			
Units issued on the settlement of Restricted Units	35,085	\$ 5.80	\$ 203
Repurchase and cancellation of Units – NCIB	(910,460)	\$ 5.22	\$ (4,753)
Unit distributions to Unitholders	1,094,397	\$ 5.71	\$ 6,254
Consolidation of Units	(1,094,397)	n/a	n/a
Balance – December 31, 2022	37,790,395	n/a	\$ 373,577
Issuance of Units:			
Follow-on public offerings	18,653,000	\$ 8.12	\$ 151,456
Units issued on the settlement of vested Restricted Units	201,194	\$ 8.76	\$ 1,763
Unit issuance costs	n/a	n/a	\$ (6,982)
Repurchase and cancellation of Units – NCIB	(325,653)	\$ 5.43	\$ (1,769)
Balance – September 30, 2023	56,318,936	n/a	\$ 518,045

Follow-on offerings of Units

On July 19, 2023, the Trust completed a follow-on public offering of its Units whereby the Trust issued 9,223,000 Units at \$8.03 (C\$10.60) per Unit, for gross proceeds of \$74,086 (C\$97,764).

On September 20, 2023, the Trust completed an additional follow-on public offering of its Units whereby the Trust issued 9,430,000 Units at \$8.20 (C\$11.00) per Unit, for gross proceeds of \$77,370 (C\$103,730).

Settlement of vested Restricted Units

During the nine months ended September 30, 2023, the Trust issued 201,194 Units on the settlement of vested Restricted Units (“RUs”), 12,779 of which were granted on September 10, 2021, 8,727 of which were granted on October 8, 2021, 8,805 of which were granted on June 10, 2022, 13,424 of which were granted on September 10, 2022, 16,573 of which were granted on November 22, 2022 and 140,886 of which were granted on August 17, 2023, as described in note 10.

During the nine months ended September 30, 2022, the Trust issued 64,070 Units on the settlement of vested RUs, 11,019 of which were granted on September 10, 2021 and 53,051 of which were granted on October 8, 2021, as described in note 10.

For the period from October 1, 2022 to December 31, 2022, the Trust issued a total of 35,085 Units on the settlement of vested RUs which were granted on November 30, 2021, as described in note 10.

Normal course issuer bid (“NCIB”)

On September 30, 2021, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 1,500,000 Units of the Trust for cancellation between October 5, 2021 and October 4, 2022 (“September 2021 NCIB”). In connection with the September 2021 NCIB, the Trust established an automated unit repurchase plan (“AUPP”) whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

On March 8, 2022, the Trust was granted approval by the TSX to amend its September 2021 NCIB and increase the total number of Units that can be repurchased under the September 2021 NCIB to 2,500,000 Units. The September 2021 NCIB expired on October 4, 2022.

On November 7, 2022, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 2,493,280 Units of the Trust for cancellation between November 14, 2022 and November 13, 2023 ("**November 2022 NCIB**"). In connection with the November 2022 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

During the nine months ended September 30, 2023, the Trust acquired and cancelled 325,653 Units at an average price of \$5.43, totaling \$1,769. As at September 30, 2023, in aggregate, the Trust had acquired and cancelled 2,757,163 Units at an average Unit price of \$5.26, totaling \$14,510 under the NCIB plan.

Subsequent to September 30, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024 ("**November 2023 NCIB**"). In connection with the November 2023 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

(ii) *Preferred Units*

Preferred Units ("**PU**s") may at any time and from time to time be issued in one or more series. Subject to the provisions of our declaration of trust, the board of trustees may, by resolution, from time to time before the issue of PUs determine the maximum number of Units of each series, create an identifying name for each series, attach special rights or restrictions to the PUs of each series including, without limitation, any right to receive distributions (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such distributions, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on the liquidation, dissolution or winding-up of the Trust, and any sinking fund or other provisions. Except as provided in any special rights or restrictions attaching to any series of PUs issued from time to time, the holders of PUs will not be entitled to receive notice of, attend or vote at any meeting of Unitholders.

PUs rank on a parity with the PUs of every other series and are entitled to preference over our Units, and any other of our Units ranking junior to the PUs, with respect to payment of distributions. In the event of the liquidation, dissolution or winding-up of the Trust, whether voluntary or involuntary, the holders of PUs will be entitled to preference with respect to distribution of our property or assets over our Units, and any other of our Units ranking junior to the PUs, with respect to the repayment of capital paid up and the payment of unpaid distributions accrued on the PUs.

As at September 30, 2023, no PUs had been issued or were outstanding (December 31, 2022 – nil).

(iii) *Warrants*

In connection with the Private Placement, the Trust issued 6,369,180 Warrants to the Private Placement investors. Each Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of \$11.62 at any time until the expiry of the Warrant on February 8, 2028. The Warrant exercise price represents a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The Warrants are not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the Warrants are listed on the TSX. The Warrants are included in other equity. Transaction costs associated with the issuance totaled \$74 and were recorded as a reduction in other equity.

The fair value of the Warrants was estimated at \$2,229 on issuance date using the Black-Scholes valuation model. The assumptions used to determine the fair value of the Warrants include: (i) exercise price of \$11.62; (ii) average risk-free interest rate of 3.558%; (iii) expected Warrant life of five years; (iv) average expected volatility of 30%; and (v) expected distribution yield of 5.579%.

As at September 30, 2023, the net value of the Warrants recognized in other equity is \$2,155 (December 31, 2022 – nil).

Distributions

Distributions in respect of a quarter are paid on or about each distribution date to Unitholders of record as at the close of business on the corresponding distribution record date.

The following table presents cash and Unit distributions made by the Trust during the year ended December 31, 2022 and the nine months ended September 30, 2023:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
2022				
Q1 2022 – Quarterly cash distribution	March 31, 2022	April 20, 2022	\$ 0.0750	\$ 2,898
Q2 2022 – Quarterly cash distribution	June 30, 2022	July 20, 2022	\$ 0.0750	\$ 2,899
Q3 2022 – Quarterly cash distribution	September 30, 2022	October 20, 2022	\$ 0.0750	\$ 2,900
Q4 2022 – Quarterly cash distribution	December 31, 2022	January 20, 2023	\$ 0.0750	\$ 2,834
Q4 2022 – Unit distribution ⁽ⁱ⁾	December 31, 2022	n/a	\$ 0.1655	\$ 6,254
Total			\$ 0.4655	\$ 17,785
2023				
Q1 2023 – Quarterly cash distribution	March 31, 2023	April 20, 2023	\$ 0.0750	\$ 2,811
Q2 2023 – Quarterly cash distribution	June 30, 2023	July 20, 2023	\$ 0.0750	\$ 2,812
Q2 2023 – Special cash distribution ⁽ⁱⁱ⁾	June 30, 2023	July 20, 2023	\$ 0.5334	\$ 20,000
Q3 2023 – Quarterly cash distribution	September 30, 2023	October 20, 2023	\$ 0.0750	\$ 4,224
Total			\$ 0.7584	\$ 29,847

(i) On December 21, 2022, the board of trustees declared a special Unit distribution of \$0.1655 per Unit, totaling \$6,254 to Unitholders of record as at December 31, 2022, which was issued on December 31, 2022. Immediately following the special Unit distribution, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.

(ii) On April 27, 2023, the board of trustees declared a special cash distribution totaling \$20,000 to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023.

During the three and nine months ended September 30, 2023, the board of trustees declared distributions totaling \$4,224 and \$29,847, respectively (2022 – \$2,900 and \$8,697, respectively), \$20,000 of which is a special cash distribution. During the year ended December 31, 2022, the board of trustees declared distributions totaling \$17,785, comprised of cash distributions of \$11,531 and a Unit distribution of \$6,254.

On November 13, 2023, the board of trustees declared a quarterly cash distribution of \$0.0750 per Unit to Unitholders of record as at December 31, 2023 and payable on January 19, 2024.

NOTE 9 | NET EARNINGS (LOSS) PER UNIT

The weighted average number of Units outstanding for the purpose of calculating net earnings (loss) per Unit were as follows:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Basic	46,115,848 Units	38,657,266 Units	40,485,450 Units	38,684,889 Units
Diluted	46,205,568 Units	38,694,492 Units	40,664,366 Units	38,710,064 Units

NOTE 10 | UNIT-BASED COMPENSATION

The Trust provides unit-based compensation under its Omnibus Equity Incentive Plan, as described in note 2(o) to the Trust's 2022 annual consolidated financial statements. The total number of Units authorized to be issued under the Omnibus Equity Incentive Plan is the lower of (i) 4,101,741; and (ii) 10% of the total outstanding Units of the Trust.

For the three and nine months ended September 30, 2023, the unit-based compensation expense was \$2,843 and \$3,700, respectively (2022 – \$298 and \$849, respectively) and was comprised of RU grants, net of RU forfeitures during the period.

The following table provides the details of RU grants up to September 30, 2023:

	Restricted Units
Balance – January 1, 2022	441,769 Units
Restricted Units granted:	
Granted on June 10, 2022 ⁽ⁱ⁾	41,028 Units
Granted on September 10, 2022 ⁽ⁱ⁾	60,000 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	13,645 Units
Vesting of Restricted Units	(83,021) Units
Forfeiture of Restricted Units	(112,392) Units
Balance – September 30, 2022	361,029 Units
Restricted Units granted:	
Granted on November 22, 2022 ⁽ⁱⁱⁱ⁾	62,500 Units
Granted on November 22, 2022 ^(iv)	22,500 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	5,126 Units
Vesting of Restricted Units	(54,864) Units
Forfeiture of Restricted Units	(3,697) Units
Balance – December 31, 2022	392,594 Units
Restricted Units granted:	
Granted on August 17, 2023 ^(v)	235,278 Units
Granted on August 17, 2023 ^(iv)	16,000 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	33,830 Units
Vesting of Restricted Units	(350,316) Units
Forfeiture of Restricted Units	(30,433) Units
Balance – September 30, 2023	296,953 Units

(i) Vesting equally over three years on each anniversary date.

(ii) All RUs are credited with distribution equivalents in the form of additional RUs on each distribution payment date in respect of which normal distributions are paid on the Trust's Units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate.

(iii) Vesting equally on March 31, 2023, September 10, 2024 and September 10, 2025.

(iv) Vesting equally on September 10, 2023, September 10, 2024 and September 10, 2025.

(v) Vested immediately on August 17, 2023.

The carrying value of the Trust's unit-based compensation liability related to the outstanding awards was as follows:

		As at September 30, 2023		As at December 31, 2022
Current portion of unit-based compensation liability	\$	881	\$	509
Long-term portion of unit-based compensation liability		487		269
Total unit-based compensation liability	\$	1,368	\$	778

No Options or PUs were granted as at September 30, 2023 and December 31, 2022. Certain members of the board of trustees elected to be compensated fully or partially in Deferred Units ("DUs"), as described in note 12.

NOTE 11 | DEAL INVESTIGATION AND RESEARCH EXPENSES

Deal investigation and research expenses include the ongoing costs associated with the Trust's research and due diligence activities and other expenses necessary for the assessment of potential asset acquisition opportunities, including consulting, legal, research data and data subscription expenses.

The Trust recorded total deal investigation and research expenses of \$859 and \$2,600, respectively, for the three and nine months ended September 30, 2023 (2022 – \$715 and \$2,365, respectively).

Directly attributable costs associated with successful acquisitions are capitalized as part of the cost of royalty assets in accordance with IFRS.

NOTE 12 | OTHER OPERATING EXPENSES

A summary of the Trust's other operating expenses by nature is presented below:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Board of trustees fees	\$ 321	\$ 117	\$ 790	\$ 344
Professional fees	512	616	1,568	2,113
Amortization of other current assets	—	114	240	114
Other expenses	560	332	1,117	920
Total other operating expenses	\$ 1,393	\$ 1,179	\$ 3,715	\$ 3,491

Board of trustees fees

Certain members of the board of trustees have elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan. The DUs granted pursuant to the election vest immediately and are settled in accordance with the established terms of the award agreement, but not earlier than the resignation or termination of the respective trustee from the board of trustees. All DUs are credited with distribution equivalents in the form of additional DUs on each distribution payment date in respect of which normal distributions are paid on the Trust's Units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate. DUs are initially recognized at fair value and are subsequently remeasured at fair value on each reporting date, as described in note 2(o) to the Trust's 2022 annual consolidated financial statements.

During the three and nine months ended September 30, 2023, the Trust granted 11,867 and 41,841 DUs, respectively (2022 – 12,277 and 35,643, respectively) in lieu of cash compensation to trustees and 963 and 8,623 distribution equivalent Units, respectively (2022 – 451 and 898, respectively) in relation to the quarterly distributions. Board compensation expense for the three and nine months ended September 30, 2023 included \$136 and \$513, respectively (2022 – \$72 and \$205, respectively), related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was \$809 (December 31, 2022 – \$296) and was included in other current liabilities. During the three months ended September 30, 2023, the Trust made a one-time discretionary payment in the amount of \$141 to the board of trustees in addition to their regular compensation. This additional payment was made in cash.

Professional fees

For the three and nine months ended September 30, 2023, the Trust recorded total professional fees of \$512 and \$1,568, respectively (2022 – \$616 and \$2,113, respectively) related to professional services including audit, legal, tax, valuation and consulting.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre Transaction, as described in note 4, the Trust acquired an exclusive option for \$500 to increase the annual net sales cap for Empaveli/Syfovre, on which the Trust would be entitled to royalty payments, from \$500,000 to \$1,100,000. The option was exercisable at the discretion of the Trust before June 1, 2023. The Trust did not exercise the option prior to its expiry. The Trust recorded the option as an other current asset initially at cost and amortized it on a straight-line basis over the period from July 20, 2022, the acquisition date of the royalty, to June 1, 2023, the expiry date of the option.

As at September 30, 2023, the option has been fully amortized and has no remaining net book value (December 31, 2022 – \$240). For the three and nine months ended September 30, 2023, the Trust recorded amortization related to the option of nil and \$240, respectively (2022 – \$114 and \$114, respectively).

NOTE 13 | FINANCIAL INSTRUMENTS

The financial assets and liabilities held by the Trust as at September 30, 2023 were as follows:

	Fair value through net earnings - recognized	Fair value through other comprehensive earnings	Amortized Cost	Total
Financial Assets				
Cash and cash equivalents	\$ 28,208	\$ —	\$ —	\$ 28,208
Royalties receivable	—	—	40,886	40,886
Derivative assets	—	652	—	652
	\$ 28,208	\$ 652	\$ 40,886	\$ 69,746
Financial Liabilities				
Accounts payable and accrued liabilities	\$ —	\$ —	\$ 6,100	\$ 6,100
Distributions payable to Unitholders	—	—	4,224	4,224
Current portion of credit facility	—	—	39,000	39,000
Other current liabilities	—	—	946	946
Credit facility ⁽ⁱ⁾	—	—	109,312	109,312
Preferred Securities ⁽ⁱ⁾	—	—	94,975	94,975
	\$ —	\$ —	\$ 254,557	\$ 254,557

(i) Credit facility and Preferred Securities are shown before the deduction of deferred transaction costs, net of amortization, as described in note 7.

Derivative assets

The Trust uses an interest rate swap as a derivative financial instrument designated as a cash flow hedge to manage interest rate risk related to its amended credit facility, as described in note 7. The Trust does not hold or use any derivative financial instruments for speculative trading purposes. During the three months ended September 30, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of \$100,000 of the amended credit facility. The details of the interest rate swap are as follows:

Derivative Asset	Maturity Date	Notional Value	Fair Value as at September 30, 2023	Fair Value as at December 31, 2022
Interest rate swap	March 31, 2026	\$ 100,000	\$ 652	n/a

The Trust applies hedge accounting, as described in note 2. During the three and nine months ended September 30, 2023, the Trust recognized an unrealized fair value gain in other comprehensive earnings of \$652 (2022 - nil) as a result of the interest rate swap derivative asset.

The financial assets and liabilities held by the Trust as at December 31, 2022 were as follows:

	Fair value through net earnings - recognized	Amortized Cost	Total
Financial Assets			
Cash and cash equivalents	\$ 36,686	\$ —	\$ 36,686
Royalties receivable	—	27,748	27,748
Loan receivable	—	49,897	49,897
	\$ 36,686	\$ 77,645	\$ 114,331
Financial Liabilities			
Accounts payable and accrued liabilities	\$ —	\$ 5,542	\$ 5,542
Distributions payable to Unitholders	—	2,834	2,834
Current portion of credit facility	—	34,571	34,571
Other current liabilities	—	6,640	6,640
Credit facility ⁽ⁱ⁾	—	212,358	212,358
	\$ —	\$ 261,945	\$ 261,945

(i) Credit facility is shown before the deduction of deferred transaction costs, net of amortization, as described in note 7.

NOTE 14 | FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value are allocated within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Transfers between the three levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer.

There were no transfers among the three levels of the fair value hierarchy during the nine months ended September 30, 2023 (2022 – nil).

As at September 30, 2023, the Trust had cash and cash equivalents measured at fair value, which were classified as Level 1 financial instruments. The Trust also had derivative assets measured at fair value, which were classified as Level 2 financial instruments. The derivative financial instrument is related to the interest rate swap described in note 13, and the fair value is estimated using a valuation model that predicts future cash flows over the contractual terms of the agreement based on observable market data, such as interest rate curves.

As at December 31, 2022, the Trust only had cash and cash equivalents measured at fair value, which were classified as Level 1 financial instruments.

The carrying values of financial assets and liabilities held at amortized cost approximate their fair values.

The Trust did not have any financial liabilities measured at fair value.

NOTE 15 | CAPITAL MANAGEMENT

As at September 30, 2023, the Trust's capital was \$763,561 (December 31, 2022 – \$620,506) and consisted of its Unitholders' capital of \$518,045 (December 31, 2022 – \$373,577), Preferred Securities of \$94,975 (December 31, 2022 – nil), Warrants of \$2,229 (December 31, 2022 – nil) and credit facilities of \$148,312 (December 31, 2022 – \$246,929).

The Trust's objectives in managing capital are to:

- Build long-term value for its Unitholders;
- Maintain optimal liquidity for pursuing acquisitions, meeting its obligations and making distributions to Unitholders;
- Achieve reasonable return on capital and control the risk and exposure associated with capital investments; and
- Maintain an optimal capital structure and reduce the cost of capital.

As described in note 7, the Trust completed the Private Placement to a group of investors on February 8, 2023. The Private Placement provided gross proceeds to the Trust of \$95,000 through the sale of \$95,000 principal amount of Series A Preferred Securities, \$19,760 principal amount of Series B Preferred Securities and the issuance of 6,369,180 Warrants, further increasing the Trust's capital.

Additionally, as described in note 7, the Trust amended its credit facility on March 30, 2023. Under the amended credit facility, the total credit available was revised to \$225,000 from \$175,000 for the acquisition credit facility and to \$88,750 from \$150,000 for the term credit facility.

On July 19, 2023, the Trust completed a follow-on public offering of its Units. The offering provided gross proceeds to the Trust of \$74,086 (C\$97,764) through the issuance of 9,223,000 Units at \$8.03 (C\$10.60) per Unit.

On September 20, 2023, the Trust completed a second follow-on public offering of its Units. The offering provided gross proceeds to the trust of \$77,370 (C\$103,730) through the issuance of 9,430,000 Units at \$8.20 (C\$11.00) per Unit, further increasing the Trust's capital.

There have been no other changes in the composition of the Trust's capital or its capital management policies during the nine months ended September 30, 2023 compared to prior periods. As at September 30, 2023 and December 31, 2022, the Trust was in compliance with all externally imposed capital requirements.

Subsequent to September 30, 2023, the Trust further increased the total credit available from its amended credit facility to \$500,000, comprised of (i) a \$375,000 acquisition credit facility; (ii) a \$25,000 working capital credit facility; and (iii) a \$100,000 term credit facility, as described in note 7.

NOTE 16 | COMMITMENTS

On September 9, 2022, the Trust entered into the Zejula transaction, as described in note 4. In accordance with the terms of the royalty agreement, the Trust is committed to making a milestone payment of \$10,000 should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025.

On November 25, 2022, the Trust entered into the Xenpозyme transaction, as described in note 4. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional consideration of up to \$26,500 in the event that cumulative royalties received by the Trust on Xenpозyme sales exceed certain thresholds within a predefined period of time.

On April 3, 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre, as described in note 4. In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to an additional payment of \$4,000 if worldwide net sales exceed certain thresholds within a predefined period of time.

On August 14, 2023, the Trust bought an additional royalty stream on Orserdu pursuant to the Orserdu II Transaction, as described in note 4. In accordance with the royalty agreement, the Trust is obligated to pay a \$10,000 milestone to the royalty seller upon the occurrence of pre-specified events.

On August 16, 2023, the Trust entered into a pledge agreement with Mayo Clinic. In accordance with the terms of the agreement, the Trust intends to contribute \$5,000 in total (\$1,000 annually, payable in quarterly installments) to Mayo Clinic to directly support and further the Center for Regenerative Biotherapeutics. The first installment was paid in September 2023.

NOTE 17 | RELATED-PARTY TRANSACTIONS

Transactions with our manager

DRI Healthcare serves as manager of the Trust. Management fees and performance fees are payable by the Trust pursuant to the management agreement.

The Trust recorded the following transactions and balances with its manager:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Management fee expense	\$ 1,673	\$ 1,322	\$ 18,909	\$ 4,477
Performance fee expense	—	—	18,616	—
Total	\$ 1,673	\$ 1,322	\$ 37,525	\$ 4,477

	As at September 30, 2023	As at December 31, 2022
Accounts payable and accrued liabilities	\$ 1	\$ —
Performance fee payable	—	—
Total	\$ 1	\$ —

Management fees

The Trust recorded management fees of \$1,673 and \$18,909 during the three and nine months ended September 30, 2023, respectively (2022 – \$1,322 and \$4,477, respectively). On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield for \$210,000, as described in note 4. Management fees for the nine months ended September 30, 2023 include \$13,650 earned by the manager on the sale of the Tzield royalty asset.

Performance fees

The Trust recorded performance fees of \$18,616 during the nine months ended September 30, 2023 (2022 – nil). As a result of the sale of the Trust's royalty interest in worldwide sales of Tzield, the conditions for performance fee payments to the manager, as described in note 2(n) to the Trust's 2022 annual consolidated financial statements, were met and the performance fee was paid on August 15, 2023.

Key management compensation

During the three and nine months ended September 30, 2023 and 2022, the Trust issued compensation to members of the board of trustees, as described in note 12.

During 2021, the Trust issued compensation to certain officers of the Trust in the form of 20,000 RUs which vest equally over three years and 2,584 Units which vested and were issued immediately. During the three and nine months ended September 30, 2023, the Trust granted 32,730 RUs which vested immediately and were settled, net of withholding taxes, with 15,209 Units issued. To date, the Trust has issued 24,964 Units on the settlement of vested RUs, of which 2,584 were issued in 2021, 3,376 were issued in 2022 and 19,004 were issued in 2023. During the three and nine months ended September 30, 2023, the Trust recorded unit-based compensation expense of \$340 and \$379, respectively (2022 – \$21 and \$60) related to the RU grants and the accretion of the related distribution equivalent Units.

NOTE 18 | SUBSEQUENT EVENTS

Credit facility

On October 31, 2023, the Trust increased the total credit available from its amended credit facility to \$500,000, comprised of (i) a \$375,000 acquisition credit facility; (ii) a \$25,000 working capital credit facility; and (iii) a \$100,000 term credit facility, as described in note 7.

Normal course issuer bid

On November 13, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024. In connection with this approval, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

2023 fourth quarter distribution declared

On November 13, 2023, the board of trustees declared a quarterly distribution of \$0.0750 per Unit to Unitholders of record as at December 31, 2023 and payable on January 19, 2024.

INVESTOR INFORMATION

Traded Units

The Trust's Units are traded on the Toronto Stock Exchange.

Trading Symbols

U.S. dollars: DHT.U

Canadian dollars: DHT.UN

Registrar and Transfer Agent

Computershare

100 University Avenue, 8th Floor

Toronto, Ontario M5J 2Y1

All questions related to unit certificates or distribution receipts should be directed to the Registrar and Transfer Agent.

Investor Relations

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Investor requests for copies of quarterly or annual reports, and information about the company should be directed to the Investor Relations team.

Website

www.drihealthcare.com

Auditor

Deloitte LLP, Chartered Professional Accountants

Licensed Public Accountants

8 Adelaide Street West, Suite 200

Toronto, Ontario M5H 0A9