DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR Q1 2022

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BASIS OF PRESENTATION

The following interim Management’s Discussion and Analysis (“**MD&A**”) is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (the “**Trust**”). This MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements of the Trust for the three months ended March 31, 2022 (the “**consolidated financial statements**”), including the accompanying notes to such financial statements, as well as the audited annual consolidated financial statements for the year ended December 31, 2021 (the “**2021 annual consolidated financial statements**”). The consolidated financial statements of the Trust 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**”).

We present our financial statements in United States dollars (“**U.S. dollars**”). In this MD&A, 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. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. Dollar amounts in the tables and elsewhere in this MD&A are presented in thousands of U.S. dollars unless otherwise noted.

The board of trustees has approved this disclosure.

This MD&A is dated as of May 10, 2022.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the Trust’s annual and interim quarterly consolidated financial statements and management’s discussion and analyses, annual information form and management information circular, are available on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business operations, business strategy, growth strategies, budgets, operations, financial results, taxes, distribution policy, plans and objectives.

In certain cases, forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as “expect”, “continue”, “anticipate”, “intend”, “aim”, “plan”, “believe”, “budget”, “estimate”, “forecast”, “foresee”, “close to”, “target” or negative versions thereof and similar expressions, and/or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, although not all forward-looking information contains these terms and phrases. Any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, those described in greater detail under “Risk Factors” in the Trust’s most recent annual information form, available under our profile on SEDAR at www.sedar.com.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date stated. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A, or as of the date they are otherwise stated, and are subject to change after such date. However, we disclaim any intention, obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

REFERENCES AND DEFINED TERMS

All references in this MD&A to the "**Trust**", "**we**", "**us**" or "**our**" are to DRI Healthcare Trust, together with its consolidated subsidiaries.

In this MD&A, the terms "**royalties**", "**royalty assets**", "**royalty entitlements**", "**royalty agreements**" and "**royalty streams**" are used interchangeably to refer to either: (i) contractual arrangements that grant the buyer the right to receive royalties derived from the sale of pharmaceutical, biotechnology and other life science products pursuant to license agreements or other contractual arrangements (we refer to these as "**traditional**" royalty streams); or (ii) contractual arrangements that grant the buyer the right to receive a percentage of the top-line sales of pharmaceutical, biotechnology and other life science products directly from the marketer of the product (we refer to these as "**synthetic**" royalty streams). Unless the context otherwise requires, when we refer to terms such as "**our royalties**", "**our portfolio**", "**our royalty portfolio**", "**our interests in products**" and similar terms, we are referring to our contractual interests in royalties and royalty streams that are held by our subsidiaries. When we refer to "**products**", we are referring to the pharmaceutical, biotechnology or other life science products relating to our royalties. When we refer to the "**pharmaceutical industry**", we are referring generally to the pharmaceutical, biotechnology and other life science products industry.

USE OF NON-GAAP MEASURES

This MD&A contains a number of financial performance measures that have been calculated using methodologies which are not in accordance with IFRS ("**non-GAAP measures**"). These financial measures do not have a standardized meaning as prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. We believe that providing these financial measures, in addition to our IFRS results, gives investors additional information for understanding the critical components of our financial performance. Accordingly, these non-GAAP measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. These non-GAAP measures are used to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. We rely on these measures in the day-to-day management of our business, assessment of investment opportunities and assessment of our liquidity and borrowing needs.

Our uses, definition and calculation methodology, and the reconciliations of these non-GAAP financial measures and non-GAAP ratios to the most directly comparable measures calculated and presented in accordance with IFRS, if available, for each of the measures, are presented under *Financial Review: Non-GAAP Financial Measures* on page 10 of this MD&A. The Trust has presented the following non-GAAP financial measures and non-GAAP ratios in this MD&A:

- Total Cash Receipts;
- Total Cash Royalty Receipts;
- Adjusted EBITDA;
- Adjusted EBITDA Margin; and
- Adjusted Cash Earnings per Unit.

OVERVIEW OF THE TRUST

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. The 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. Our head and registered office is located at 1 First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

DRI Capital Inc. ("**DRI Capital**", "**our manager**" or the "**manager**") provides management and other services to us, and also provides the services of certain employees of DRI Capital who act as executive officers of the Trust, pursuant to the terms of a management agreement.

DRI Healthcare Trust's units are listed on the Toronto Stock Exchange in Canadian dollars under the symbol "**DHT.UN**" and in U.S. dollars under the symbol "**DHT.U**".

BUSINESS AND STRATEGY OVERVIEW

Business Overview

Our business model is to provide unitholders with differentiated exposure to the fast-growing pharmaceutical and biotechnology industries through ownership and acquisition of royalties on pharmaceutical products with a focus on delivering attractive growth in cash receipts from royalty assets over the long term. We target royalties on products with the following characteristics:

- Medically necessary products that effectively treat chronic and critical illnesses;
- Products that benefit from strong intellectual property protection; and
- Products that are marketed by leading life sciences companies.

Since 1989, DRI Capital has been at the forefront of the pharmaceutical royalty sector. Our manager has developed a disciplined strategy and has built a dedicated team of seasoned and highly specialized professionals, many of whom have a scientific background and education, that is focused on the identification, evaluation and acquisition of quality pharmaceutical assets that has executed on the acquisition of 65 royalty streams on 41 products with over $2 billion in aggregate value.

As at March 31, 2022, our portfolio consisted of 18 royalty streams on 14 products that address chronic or critical therapeutic areas, such as oncology, rare diseases, ophthalmology, endocrinology, dermatology, autoimmune diseases and vaccines. Our portfolio includes royalties based on top-line sales of several blockbuster therapies, including Spinraza, Eylea and Xolair. Our products are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of Vonjo, an oncology product.

Unique Growth Strategy

Our growth strategy is focused on providing unitholders with top-line exposure to a portfolio of attractive therapeutics by executing royalty transactions on growth-oriented products, consistent with the core characteristics highlighted above. In order to execute this strategy, we target an underserved niche that optimizes the competitive advantages that have been developed over the 33-year history of our manager, the extensive experience and highly relevant expertise of our manager's personnel, unparalleled access to data and information through proprietary tools and knowledge, and its leadership and unparalleled reputation in the industry. Specifically, we seek to exploit the unique advantages attributable to our hard-to-replicate assets, including the market intelligence comprising our database of over 6,500 royalties on over 2,000 pharmaceutical products and deep relationships developed by our manager's personnel with a broad range of counterparties, including individual inventors and institutions with smaller entitlements, biotech firms seeking non-dilutive sources of financing and pharmaceutical companies seeking transactions below their reporting thresholds. Further, we target transactions that are out of the scope of other royalty buyers such as larger-cap public companies, institutional asset managers and pension funds, which, combined with our unique relationship-driven approach, give us the flexibility to structure bespoke, proprietary, "win-win" transactions on high-quality royalty streams tailored to the immediate and long-term objectives of royalty holders.

Our target is to complete between $650 million and $750 million in transactions during our first five years as a public company, which will allow us to generate sustainable annual growth in cash receipts. We expect to fund these acquisitions using our cash on hand, cash generated from our royalty assets and the use of leverage. In 2021, we completed two transactions for consideration of up to $186 million.

We intend to fulfill our growth strategy primarily by pursuing traditional and synthetic pharmaceutical royalty transactions. Traditional royalty investing involves a purchaser, such as the Trust, acquiring an existing royalty that was granted to an inventor, academic institution or drug developer as part of a licensing agreement in which a pharmaceutical marketer obtains a license to use intellectual property or know-how to develop and commercialize a product. Synthetic royalty transactions involve the creation of a new royalty stream in which the purchaser, such as the Trust, contracts directly with a pharmaceutical marketer to receive a portion of top-line product sales. As biotechnology companies continue to conduct their own R&D to bring internally developed technologies to market, synthetic royalties have become an increasingly important tool for these companies to finance ongoing capital requirements through non-dilutive means. We will also selectively consider other opportunities to grow our asset base, including through the deployment of capital through lending arrangements and other instruments backed by pharmaceutical products and companies.

Our Assets

The Trust's assets currently comprise royalties on products that address therapeutic areas such as oncology, rare diseases, ophthalmology, dermatology and autoimmune diseases, and are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of Vonjo, an oncology product.

We group our portfolio of royalty assets based on the expected expiry of the royalty rights in the underlying product's primary royalty-bearing geography. Our royalty assets include Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2022; Mature Products, for which royalty entitlements in primary geographies are expected to expire before December 31, 2022; and Other Products, for which royalty entitlements have substantially expired in accordance with their terms or are not individually material.

We receive royalty payments based on the sales of pharmaceutical products in particular geographies. In general, when sales of these products increase, the payments we receive through our royalties also increase. The sales of products in turn can be affected by a number of factors, including regulatory approvals that permit the sale of a product in the relevant market, the competitive landscape for the product, whether the product is recommended for use by health agencies or medical professional associations, and the extension of a product for additional indications, which we sometimes refer to as product extensions.

The table below provides an overview of the Trust's Core and Mature Products held as at March 31, 2022, and outlines expected royalty expirations based on our manager's estimates of patent expiry dates in key geographies 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 elements.

(in thousands of U.S. dollars, unless otherwise noted)

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry(i)
Core Products				
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
FluMist	Vaccine	AstraZeneca	June 2003	Q4 2023
Natpara	Endocrinology	Takeda	January 2015	Q3 2025
Oracea	Dermatology	Galderma Laboratories, Inc.	April 2006	Q1 2028
Rydapt	Oncology	Novartis	April 2017	Q1 2025
Spinraza	Rare Diseases	Biogen	December 2016	Q3 2031
Vonjo	Oncology	CTI Biopharma	February 2022	Q2 2034
Xolair	Respiratory	Roche, Novartis	June 2003	Q2 2032
Zytiga	Oncology	Johnson & Johnson	September 2011	Q2 2028
Mature Products				
Autoimmune Portfolio(ii)				
Ilaris	Autoimmune	Novartis	June 2009	Q1 2025
Simponi	Autoimmune	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Stelara	Autoimmune	Johnson & Johnson, Merck, Mitsubishi Tanabe	September 2009	Q2 2024

(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 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) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

Key Developments Related to Royalty Assets

Natpara (Core Products)

In September 2019, as a result of manufacturing and delivery-related difficulties related to rubber particulates originating from the rubber septum of the Natpara cartridge that led to the recall in the United States, Takeda ceased product sales in the United States.

On March 22, 2022, Takeda announced that a Complete Response Letter was received from the U.S. Food and Drug Administration ("**FDA**"), in response to the company's Prior Approval Supplement submission to address the issue that led to the recall in the United States, stating that the product cannot be approved in its present form. Takeda noted that it is evaluating the details of the letter to determine next steps and has suspended the commercial return of Natpara to the United States. There are currently no FDA approved alternatives for chronic hypoparathyroidism. We continue to monitor the developments related to Natpara and have updated our expectations for reaching the contractual cap on cumulative worldwide royalties received of Natpara to the third quarter of 2025.

Vonjo (Core Products)

On February 28, 2022, the FDA approved Vonjo (pacritinib) for the treatment of adult myelofibrosis patients with platelets below 50 x 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 tiered royalty transaction on Vonjo for $60,000, as described on page 5 of this MD&A, which occurred on March 7, 2022.

Other Key Events

*Normal Course Issuer Bid ("**NCIB**")*

On September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 1,500,000 units of the Trust for cancellation pursuant to its NCIB between October 5, 2021 and October 4, 2022. On March 8, 2022, the Trust was granted approval by the Toronto Stock Exchange to amend its NCIB and increase the total number of units that can be repurchased under the NCIB to 2,500,000 units. The expiry date of October 4, 2022 for the NCIB remains unchanged.

During the three months ended March 31, 2022, the Trust acquired and cancelled 477,980 units at an average price of $5.25, totalling $2,510. As at April 30, 2022, in aggregate, the Trust had acquired and cancelled 1,521,050 units at an average price per unit of $5.25, totalling $7,988 under the NCIB plan. The Trust's NCIB plan is discussed further on page 17 of this MD&A.

Long-term Debt

On April 20, 2022, the Trust entered into an amended and restated credit agreement with a syndicate of lenders that added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan to the credit facility which can be drawn against in the future to fund transactions. As part of the amendment, the interest rate for new drawings on the credit facility was revised to Secured Overnight Financing Rate ("**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. All other material terms of the credit facility remained unchanged. The credit facility is discussed in further detail on page 15 of this MD&A.

(in thousands of U.S. dollars, unless otherwise noted)

Distributions

During the three months ended March 31, 2022, the Trust declared a quarterly cash distribution of $0.0750 per unit, totalling $2,898, to unitholders of record as at March 31, 2022, which was paid on April 20, 2022. Additionally, on January 20, 2022, the Trust paid $11,528 of distributions declared in 2021.

The Trust pays quarterly distributions in accordance with its distribution policy. Distributions are discussed in further detail in note 8 to the consolidated financial statements.

Transaction Completed in 2022

Vonjo Transaction

On August 25, 2021, concurrent with the agreement to provide a $50,000 secured loan to CTI BioPharma Corp. ("**CTI**"), as described on page 6 of this MD&A, 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. In addition, in accordance with the terms of the royalty agreement, CTI may also be entitled to additional consideration of up to $25,000 in the event that Vonjo sales exceed certain thresholds within a predefined period of time.

On February 28, 2022, the FDA approved pacritinib under the brand name Vonjo for the treatment of adult myelofibrosis patients with platelets below 50 x 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 on Vonjo for $60,000, which occurred on March 7, 2022. Transaction costs of $362 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, the Trust will be entitled 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 will be collected with a one quarter lag.

Transactions Completed in 2021

Initial Public Offering and Private Placement

On February 19, 2021, the Trust completed its initial public offering and concurrent private placement of units. In connection with its initial public offering, the Trust issued 36,527,000 units at $10.00 per unit, for gross proceeds of $365,270. Concurrent with the completion of the initial public offering, DRI Capital and other investors purchased an aggregate of 3,580,407 units pursuant to a private placement at a price of $9.70 per unit, for gross proceeds of $34,730. The units issued pursuant to the concurrent private placement are subject to resale restrictions under applicable laws. The total units issued pursuant to the initial public offering and concurrent private placement were 40,017,407, for combined gross proceeds of $400,000. Transaction costs associated with the offerings totalled $21,997 and were recorded as a reduction in unitholders' capital.

Closing Transactions

Following the closing of the initial public offering, we completed the acquisition of an initial portfolio of royalty assets and certain other net assets held by certain private funds managed by DRI Capital, for $292,670 ("**Closing Transactions**"). The royalty assets consisted primarily of a portfolio of 18 royalties derived from the sale of 14 pharmaceutical products focused on eight therapeutic areas. As part of the transaction, the Trust assumed the outstanding securitization indebtedness associated with certain royalty assets.

The following table presents the allocation of the purchase price paid to acquire the net assets.

Assets		
Cash and cash equivalents	$	14,707
Royalties receivable		55,190
Funds held in trust[(i)]		128
Derivative assets[(i)]		219
Other current assets		196
Royalty assets		291,462
Restricted cash[(i)]		1,435
		363,337
Liabilities		
Accounts payable and accrued liabilities		(743)
Secured notes payable[(i)]		(69,924)
		(70,667)
Net acquired assets	$	292,670

(i) During 2021, the Trust fully repaid the secured notes, as described on page15 of this MD&A. In connection with its secured notes, the Trust was required to maintain funds held in trust and restricted cash as well as interest rate and foreign exchange derivative contracts, which were released and settled subsequent to the repayment of the secured notes.

The acquired cash and cash equivalents include cash royalties received of $2,269 during the period from January 1, 2021 to the date of the acquisition. Royalties receivable includes royalty income of $13,833 accrued during the period from January 1, 2021 to the date of the acquisition and $1,079 of adjustments to reflect changes in the balance receivable based on actual receipts.

(in thousands of U.S. dollars, unless otherwise noted)

CTI Loan Receivable Transaction

On August 25, 2021, the Trust entered into an agreement with CTI to provide $50,000 in secured debt, the proceeds of which were used by CTI to fund the commercialization of Vonjo. Vonjo is used for the treatment of myelofibrosis patients with severe thrombocytopenia. The loan receivable bears interest at the London Interbank Offered Rate ("**LIBOR**") plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. The Trust is also entitled to receive an exit fee of 2.00% on the principal balance repaid. Interest payments are due quarterly and the principal amount of the loan is due on maturity. A commitment fee of $500 was received by the Trust and recorded as a reduction in the gross principal amount receivable.

Oracea Transaction

On September 30, 2021, the Trust acquired royalties on Oracea for $50,500. As part of the transaction, the Trust acquired interests in two additional royalty assets which are not expected to make a material contribution to the Trust's royalty income.

Oracea (doxycycline) is a prescription therapy indicated for the treatment of inflammatory lesions (papules and pustules) of rosacea in adult patients. Marketed by Galderma Laboratories, Inc., a subsidiary of Galderma S.A., sales of Oracea commenced in 2006 upon its approval by the FDA. The royalty entitlement associated with Oracea is on the worldwide sales of Oracea and is expected to expire in the first quarter of 2028. Royalties related to Oracea are collected on a one quarter lag.

In accordance with the terms of the transaction, the Trust was entitled to the royalties from April 1, 2021 and beyond. The cash royalty receipts generated from April 1, 2021 to June 30, 2021 totalled $4,136 and were applied as a reduction in the total cash consideration transferred in the transaction. Transaction costs of $599 were capitalized as part of the royalty assets acquired.

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the three months ended March 31, 2022, the Trust generated total income of $22,625 (2021 – $12,691) and total expenses of $16,931 (2021 – $9,500). The following table presents the components of net earnings and other comprehensive earnings and is followed by a discussion on the nature of significant sources of income and categories of expenses.

The Trust commenced its operations on February 19, 2021, the date of the completion of its public and private offerings, and as such, net earnings and other comprehensive earnings for the three months ended March 31, 2021 reflect the results of operations from February 19, 2021.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Income		
Royalty income	$ 21,301	$ 12,691
Interest income on loan receivable	1,324	—
Total income	22,625	12,691
Expenses		
Amortization of royalty assets	12,775	6,793
Management fees	1,437	883
Interest expense	418	252
Servicer fees	—	178
Deal investigation and research expenses	876	564
Unit-based compensation	527	—
Other operating expenses	898	1,002
Net gain on interest rate derivatives	—	(4)
Net gain on foreign exchange derivatives	—	(168)
Total expenses	16,931	9,500
Net earnings and other comprehensive earnings	**$ 5,694**	**$ 3,191**

Royalty income

Royalty income is comprised of income from our royalty assets, which represents the contractual right to receive, directly or indirectly, a royalty payment, license fee, or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The Trust typically does not own the licensed intellectual property; however, it earns income based on rights to a royalty stream generally tied to the related underlying patent, calculated as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalty income is recorded on an accrual basis when earned in accordance with our contractual rights. Management is required to make estimates of royalty income earned. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned. Royalty income of $21,301 for the three months ended March 31, 2022 (2021 – $12,691) includes $17,743 related to estimated royalty entitlements (2021 – $10,615), which will be received subsequent to March 31, 2022.

(in thousands of U.S. dollars, unless otherwise noted)

The following table presents the Trust's royalty income by royalty asset grouping for the three months ended March 31, 2022 and 2021.

	Three months ended March 31, 2022	Three months ended March 31, 2021	% Change
Core Products			
Eylea I[(i)]	$ 1,485	$ 1,190	25 %
Eylea II[(i)]	1,630	529	208 %
FluMist[(i)]	105	—	n/a
Natpara[(i)]	707	272	160 %
Oracea[(ii)]	1,700	—	n/a
Rydapt[(i)]	3,270	902	263 %
Spinraza[(i)]	3,693	2,100	76 %
Vonjo[(ii)]	88	—	n/a
Xolair[(i)]	2,800	1,148	144 %
Zytiga[(i)]	4,415	1,733	155 %
Total Core Products	19,893	7,874	151 %
Mature Products			
Autoimmune Portfolio[(iii),(iv)]	1,074	2,283	(53)%
Rilpivirine Portfolio[(v)]	—	2,354	(100)%
Total Mature Products	1,074	4,637	(75)%
Other Products[(vi)]	334	180	86 %
Total Royalty Income	$ 21,301	**$ 12,691**	68 %

(i) The Trust recorded royalty income related to the assets acquired in connectiom with the Closing Transactions, as described in note 4 to the consolidated financial statements, from February 19, 2021, the date on which the Trust obtained control over those assets.

(ii) The Trust recorded royalty income related to Oracea and Vonjo subsequent to March 31, 2021 as the Trust obtained control over the royalty assets, as described in note 4 to the consolidated financial statements.

(iii) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The three royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

(iv) 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 the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $157 were used to reduce the obligation during the three months ended March 31, 2022. Royalty receivables of $384 were used to reduce the obligation during 2021. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of $177 as at March 31, 2022 (December 31, 2021 – $334) for the past overpayments.

(v) The Rilpivirine Portfolio consisted of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. In accordance with the terms of the royalty agreement, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.

(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 for the three months ended March 31, 2022 was $21,301 (2021 – $12,691). The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into. The increase in royalty income during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to (i) the proration of the royalty income in the first quarter of 2021 related to the royalty assets acquired in the Closing Transactions in 2021 to reflect the period during which the Trust held control over those assets; and (ii) royalty income earned related to Oracea and Vonjo, the agreements for which were entered into subsequent to March 31, 2021, as described on page 5 of this MD&A. The increase in royalty income was partially offset by the contractual step down in royalty rate for Eylea I starting in the first quarter of 2022, the expected expiry of royalty entitlement rights related to the Rilpivirine Portfolio in the second quarter of 2021 and the expected expiry of the royalty entitlements in major geographic areas for the products in the Autoimmune Portfolio.

Interest income on loan receivable

Interest income is primarily comprised of interest earned on the loan receivable from CTI, as described on page 6 of this MD&A. For the three months ended March 31, 2022, the Trust recorded interest income of $1,324 (2021 – nil), comprised of $1,250 related to interest charges, $25 related to the amortization of the commitment fee and $49 related to the accretion of the exit fee.

Amortization of royalty assets

Royalty assets are amortized over the estimated useful life of the assets, as described in note 2(c) to the Trust's 2021 annual consolidated financial statements. The Trust amortizes its royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into.

During the three months ended March 31, 2022, the Trust recorded amortization of royalty assets of $12,775 (2021 – 6,793). The Trust records amortization related to royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into. The increase in amortization expense during the three months ended March 31, 2022 as compared to the same period in 2021 was primarily due to (i) the proration of the amortization expense in the first quarter of 2021 related to the royalty assets acquired in the Closing Transactions in 2021 to reflect the period during which the Trust held control over those assets, and (ii) the additional amortization recorded during the current period related to the assets acquired subsequent to March 31, 2021, as described on page 5 of this MD&A.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 18 of this MD&A. The Trust recorded management fees of $1,437 during the three months ended March 31, 2022 (2021 – $883). The increase in management fees for the three months ended March 31, 2022 compared to the same period in 2021 is due to lower management fees in the same period in 2021 as a result of the proration of management fees to reflect the effective date of February 19, 2021 of the management agreement.

Interest expense

In connection with the Closing Transactions, the Trust assumed the obligation for secured notes on February 19, 2021, as described on page 15 of this MD&A. On October 22, 2021, the Trust entered into a new credit facility agreement, as described on page 15 of this MD&A, the proceeds from which were used to fully repay the secured notes.

For the three months ended March 31, 2022, the Trust recorded total interest expense of $418 (2021 – $252). Interest expense for the three months ended March 31, 2022 comprised of interest on the net borrowings of $224, standby fees of $157 and amortization of deferred transaction costs of $37. Interest expense for the three months ended March 31, 2021 was $252 and was related to the secured notes.

Servicer fees

Our manager provided administrative services to the Trust for servicing the secured notes pursuant to a servicing agreement. The servicing agreement was terminated on October 22, 2021, when the Trust fully repaid the secured notes, as described on page 15 of this MD&A. No servicer fees were incurred during the three months ended March 31, 2022. During the three months ended March 31, 2021, the Trust recorded servicer fees of $178 for the period from February 19, 2021.

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 professional fees, research data, and data subscription expenses.

For the three months ended March 31, 2022, the Trust recorded deal investigation and research expenses of $876 (2021 – $564). The increase was primarily due to the growth of the Trust's asset acquisition initiatives in the current year when compared with the same period in 2021.

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

Unit-based compensation

The Trust provides unit-based compensation under its Incentive Plan, as described in note 2(o) to the Trust's 2021 annual consolidated financial statements.

For the three months ended March 31, 2022, the unit-based compensation expense was $527 (2021 – nil) and was comprised of Restricted Unit ("**RU**") grants. As at March 31, 2022, the unit-based compensation liability was $728 (December 31, 2021 – $370), comprised of a current portion of $389 (December 31, 2021 – $233) and a long-term portion of $339 (December 31, 2021 – $137), related to the outstanding awards. There were no RUs issued or outstanding under the Incentive Plan for the period ended March 31, 2021.

(in thousands of U.S. dollars, unless otherwise noted)

The table below provides the details of RU grants:

	Restricted Units
Balance – January 1, 2021	—
Balance – March 31, 2021	—
Restricted units granted	
Granted on September 10, 2021(i)	117,500 units
Granted on October 1, 2021(ii)	15,343 units
Granted on October 8, 2021(iii)	50,000 units
Granted on October 8, 2021(iv)	100,000 units
Granted on November 30, 2021(i)	150,000 units
Distribution equivalent units granted(v)	24,269 units
Vesting of restricted units	(15,343) units
Balance – December 31, 2021	**441,769 units**
Distribution equivalent units granted(v)	**4,824 units**
Vesting of restricted units	**(35,228) units**
Forfeiture of restricted units	**(2,514) units**
Balance – March 31, 2022	**408,851 units**
Restricted Units Vested and Exercisable as at March 31, 2022	—

(i) Vesting equally over three years on each anniversary date.
(ii) Vested immediately.
(iii) Vesting equally on April 1, 2022, April 1, 2023 and April 1, 2024.
(iv) Vesting equally on February 19, 2022, February 19, 2023 and February 19, 2024.
(v) 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.

No Options or Performance Units ("**PUs**") were granted as at March 31, 2022. Certain members of the board of trustees elected to be compensated fully or partially in Deferred Units ("**DUs**"), as described in other operating expenses below.

Other operating expenses

Other operating expenses include fees paid to the board of trustees, as well as other ongoing operating expenses, including consulting, legal and audit fees, required to operate our business. During the three months ended March 31, 2022, the Trust recorded operating expenses of $898 (2021 – $1,002).

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

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Board of trustees fees	**$ 116**	$ 118
Professional fees	**552**	453
Other expenses	**230**	431
Total other operating expenses	**$ 898**	$ 1,002

Board of trustees fees

During 2022, certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Incentive Plan. The DUs granted pursuant to the election vest immediately and are settled in accordance to 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 to the annual consolidated financial statements of the Trust for the year ended December 31, 2021.

During the three months ended March 31, 2022, the Trust granted 11,089 DUs in lieu of cash compensation to trustees. The Trust granted 132 distribution equivalents in relation to the quarterly distribution declared during the quarter. Board of trustee fees for the three months ended March 31, 2022 included $70 related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was $70, and was included in other non-current liabilities. The Trust did not grant any DUs during the three months ended March 31, 2021.

(in thousands of U.S. dollars, unless otherwise noted)

Summary of quarterly results

The following table provides a summary of the Trust's quarterly results since the date of formation and the weighted average number of units outstanding.

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total income	**$ 22,625**	$ 22,214	$ 23,409	$ 23,451	$ 12,691
Total expenses	**(16,931)**	(18,852)	(15,774)	(16,076)	(9,500)
Net earnings	**$ 5,694**	$ 3,362	$ 7,635	$ 7,375	$ 3,191
Net earnings per unit – basic	**$ 0.15**	$ 0.08	$ 0.19	$ 0.18	$ 0.17
Net earnings per unit – diluted	**$ 0.15**	$ 0.08	$ 0.19	$ 0.18	$ 0.17
Weighted Average Number of Units – Basic	**38,743,644 units**	39,802,522 units	40,107,407 units	40,107,407 units	18,271,153 units
Weighted Average Number of Units – Diluted	**38,743,769 units**	39,810,526 units	40,107,407 units	40,107,407 units	18,271,153 units

FINANCIAL REVIEW: NON-GAAP FINANCIAL MEASURES

The Trust reports certain non-GAAP financial measures, including Total Cash Receipts, Total Cash Royalty Receipts and Adjusted EBITDA. The Trust also reports certain non-GAAP ratios, including Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit. These measures and ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

Total Cash Receipts and Total Cash Royalty Receipts

Total Cash Receipts refers to all cash royalty receipts from the Trust's portfolio of royalty assets and cash receipts for interest and principal payments collected from its loan receivable. Total Cash Royalty Receipts refers to cash royalty receipts from all products rather than cash royalty receipts in respect of a particular product and forms part of Total Cash Receipts. Because of the lag between when we record royalty income and receive the corresponding cash payments on our royalties, we believe Total Cash Receipts and Total Cash Royalty Receipts are useful measures when evaluating our operations, as they represent actual cash generated in respect of all royalty assets held during a period.

Pro forma cash receipts during the three months ended March 31, 2021 include the Trust's entitlement to cash royalty receipts for the period from January 1, 2021 to February 18, 2021 related to the assets acquired in the Closing Transactions, as described on page 5 of this MD&A. In the consolidated financial statements, the Trust has recorded cash royalties received and royalty income from royalty assets from the date on which the Trust obtained control of the royalty assets.

(in thousands of U.S. dollars, unless otherwise noted)

Product	Cash Receipts Three months ended March 31, 2022	Cash Receipts Pro forma three months ended March 31, 2021[i]	% Change
Royalty Assets			
Core Products			
Eylea I	$ 1,418	$ 3,027	(53)%
Eylea II	1,528	1,345	14 %
FluMist	2,218	2,239	(1)%
Natpara	673	510	32 %
Oracea	1,749	—	n/a
Rydapt	2,963	2,601	14 %
Spinraza	4,278	5,308	(19)%
Vonjo[ii]	—	—	n/a
Xolair	2,641	2,266	17 %
Zytiga[iii]	—	—	n/a
Total Core Products	17,468	17,296	1 %
Mature Products			
Autoimmune Portfolio[iv),(v]	1,810	4,361	(58)%
Rilpivirine Portfolio[vi]	—	8,467	(100)%
Total Mature Products	1,810	12,828	(86)%
Other Products[vii]	424	466	(9)%
Total Cash Royalty Receipts[ix]	$ 19,702	**$ 30,590**	**(36)%**
Interest Receipts from Loan Receivable[viii]	1,250	—	n/a
Total Cash Receipts[ix]	$ 20,952	**$ 30,590**	**(32)%**

(i) Cash receipts for the three months ended March 31, 2021 are presented on a pro forma basis and represent the cash that was received by the Trust's current subsidiaries prior to completion of the Trust's acquisition of those subsidiaries. The Trust was the beneficiary of royalty cash receipts from the assets acquired in the Closing Transactions from January 1, 2021 to February 18, 2021 and has recorded the increase of $2,269 in acquired cash and cash equivalents related to the royalty cash receipts within that period, as described on page 5 of this MD&A.
(ii) The Trust entered into the transaction in respect of Vonjo on March 7, 2022, as discussed on page 5 of this MD&A. In accordance with the terms of the royalty agreement, royalties will be collected with a one quarter lag.
(iii) Cash royalties from Zytiga are received on a semi-annual basis during the second and fourth quarters of the year.
(iv) The Autoimmune Portfolio consists of an agreement to receive royalties on sales of Stelara, Simponi and Ilaris. The royalty assets include two royalty streams on each product, for a total of six royalty streams.
(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 the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $157 were used to reduce the obligation during the three months ended March 31, 2022 . Royalty receivables of $384 were used to reduce the obligation during 2021. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of $177 as at March 31, 2022 (December 31, 2021 – $334) for the past overpayments.
(vi) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. The Trust's entitlement to royalties ended during the second quarter of 2021 in accordance with the terms of the royalty agreement.
(vii) Other Products includes royalty income from certain other royalty assets as well as royalty assets which are fully amortized and, where applicable, the entitlements to which have generally expired.
(viii) Interest receipts from loan receivable relates to the CTI loan, as described on page 6 of this MD&A. Interest is collected on a quarterly basis.
(ix) Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.

Total Cash Receipts during the three months ended March 31, 2022 were $20,952, representing a decrease of $9,638 or 32% compared to the same period in 2021 on a pro forma basis. The Trust recorded royalty income and interest income on the loan receivable of $22,625 during the three months ended March 31, 2022 (2021 – $12,691).

Cash receipts from Core Products increased by $172 or 1% compared to the same period in 2021. The increase was primarily driven by (i) a stronger market demand for Xolair; (ii) an increase in sales for Rydapt; and (iii) the inclusion of royalties from Oracea. The increase in Core Products was partially offset by (i) a decrease in royalty entitlement rates for Eylea I, as the royalty stream reached a contractual step down in royalty rates as expected in the first quarter of 2022; and (ii) a decrease in worldwide sales of Spinraza driven by an increase in competition.

Cash receipts from Mature Products decreased by $11,018 or 86% during the quarter, primarily driven by (i) the expiry of royalty entitlements from the Rilpivirine Portfolio during the second quarter of 2021; and (ii) the continued contractual expirations of royalty entitlements in certain geographies as expected for the products underlying the Autoimmune Portfolio.

Cash receipts from Other Products decreased by $42 or 9% during the three months ended March 31, 2022 due to the continued contractual expirations of certain royalty streams, partially offset by contributions from other royalty assets acquired in the Oracea Transaction.

Cash interest receipts from loan receivable was $1,250 for the three months ended March 31, 2022, and represented interest payments received on the loan to CTI, as described on page 6 of this MD&A.

(in thousands of U.S. dollars, unless otherwise noted)

The reconciliation of Total Cash Receipts and Total Cash Royalty Receipts to the most directly comparable measures calculated in accordance with IFRS is presented below. Beginning with the first quarter of 2022, the Trust reconciles Total Cash Receipts and Total Cash Royalty Receipts to total income, rather than royalty income, since the Trust's total income includes interest income on its loan receivable. This results in the subtraction of non-cash interest income on loan receivable when reconciling to Total Cash Receipts. When reconciling to Total Cash Royalty Receipts, there is a corresponding subtraction to interest income on loan receivable and an addition of non-cash interest income on loan receivable, since Total Cash Royalty Receipts is a measure of the Trust's cash royalty receipts from all products, excluding income from the Trust's debt instruments.

		Three months ended March 31, 2022		Pro forma three months ended March 31, 2021
Total income	$	22,625	$	12,691
[+] Royalties receivable, beginning of period		30,148		—
[-] Royalties receivable, end of period		(31,590)		(39,560)
[+] Acquired royalties receivable[(i)]		—		55,190
[+] Acquired cash royalties received[(i)]		—		2,269
[-] Non-cash royalty income[(ii)]		(157)		—
[-] Non-cash interest income on loan receivable[(iii)]		(74)		—
[=] Total Cash Receipts	**$**	**20,952**	**$**	**30,590**
[-] Interest income on loan receivable		(1,324)		—
[+] Non-cash interest income on loan receivable[(iii)]		74		—
[=] Total Cash Royalty Receipts	**$**	**19,702**	**$**	**30,590**

(i) Acquired royalties receivable and acquired cash royalties received were used to reduce the net purchase price paid for the assets acquired by the Trust, as described on page 5 of this MD&A.
(ii) Royalty income for the three months ended March 31, 2022 of $157 was used to reduce the obligation for excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset (2021 – nil).
(iii) For the three months ended March 31, 2022, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 (2021 – nil) and the accretion of exit fee receivable of $49 (2021 – nil).

Adjusted EBITDA

We believe Adjusted EBITDA provides meaningful information about our operating cash flows as it eliminates the effects of accruals and non-cash expenses recorded on the statement of income and comprehensive income. We refer to EBITDA when reconciling our net earnings and other comprehensive earnings to Adjusted EBITDA, but we do not use EBITDA as a measure of our performance.

The reconciliation of Adjusted EBITDA to its most directly comparable measures calculated in accordance with IFRS is presented below.

		Three months ended March 31, 2022		Pro forma three months ended March 31, 2021
Net earnings and other comprehensive earnings	$	5,694	$	3,191
[+] Amortization of royalty assets		12,775		6,793
[+] Interest expense		418		252
EBITDA		18,887		10,236
[+] Royalties receivable, beginning of period		30,148		—
[-] Royalties receivable, end of period		(31,590)		(39,560)
[+] Acquired royalties receivable[(i)]		—		55,190
[+] Acquired cash royalties received[(i)]		—		2,269
[+] Unit-based compensation		527		—
[+] Board of trustees unit-based compensation[(ii)]		70		—
[+] Net gain on interest rate derivatives		—		(4)
[-] Net loss (gain) on foreign exchange derivatives		—		(168)
[-] Non-cash royalty income[(iii)]		(157)		—
[-] Non-cash interest income on loan receivable[(iv)]		(74)		—
[=] Adjusted EBITDA	$	17,811	$	27,963

(i) Acquired royalties receivable and acquired cash royalties received were used to reduce the net purchase paid for the assets acquired by the Trust, as described on page 7 of this MD&A.
(ii) During 2022, certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Incentive Plan, as described on page 9 of this MD&A.
(iii) 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 the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $157 were used to reduce the obligation during the three months ended March 31, 2022. Royalty receivables of $384 were used to reduce the obligation during 2021. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of $177 as at March 31, 2022 (December 31, 2021 – $334) for the past overpayments.
(iv) For the three months ended March 31, 2022, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 (2021 – nil) and the accretion of exit fee receivable of $49 (2021 – nil).

(in thousands of U.S. dollars, unless otherwise noted)

Adjusted EBITDA Margin

We believe that Adjusted EBITDA Margin is a useful supplemental measure to demonstrate the operating efficiency of our business on a cash basis.

The calculation of Adjusted EBITDA Margin is presented below.

	Three months ended March 31, 2022	Pro forma three months ended March 31, 2021
Adjusted EBITDA	$ 17,811	$ 27,963
[÷] Total Cash Receipts	$ 20,952	$ 30,590
[=] Adjusted EBITDA Margin	85 %	91 %

Adjusted Cash Earnings per Unit

We believe that Adjusted Cash Earnings per Unit provides meaningful information about our performance as it provides a measure of the cash generated by our assets on a per unit basis.

The calculation of Adjusted Cash Earnings per Unit is presented below:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net earnings and other comprehensive earnings	$ 5,694	$ 3,191
[+] Amortization of royalty assets	12,775	6,793
[+] Unit-based compensation	527	—
[+] Board of trustees unit-based compensation[(i)]	70	—
[-] Net gain on interest rate derivatives	—	(4)
[-] Net gain on foreign exchange derivatives	—	(168)
[-] Non-cash royalty income[(ii)]	(157)	—
[-] Non-cash interest income on loan receivable[(iii)]	(74)	—
	$ 18,835	$ 9,812
[÷] Weighted average number of units – basic	38,743,644	18,271,153
[=] Adjusted cash earnings per unit – basic	$ 0.49	$ 0.54
[÷] Weighted average number of units – diluted	38,743,769	18,271,153
[=] Adjusted cash earnings per unit – diluted	$ 0.49	$ 0.54

(i) During 2022, certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Incentive Plan, as described on page 9 of this MD&A.

(ii) 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 the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $157 were used to reduce the obligation during the three months ended March 31, 2022 . Royalty receivables of $384 was used to reduce the obligation during 2021. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of $177 as at March 31, 2022 (December 31, 2021 – $334) for the past overpayments.

(iii) For the three months ended March 31, 2022, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 (2021 – nil) and the accretion of exit fee receivable of $49 (2021 – nil).

(in thousands of U.S. dollars, unless otherwise noted)

FINANCIAL REVIEW: FINANCIAL POSITION

As at March 31, 2022, the Trust had consolidated assets of $453,773 (December 31, 2021 – $436,695) and consolidated liabilities of $74,333 (December 31, 2021 – $57,710). The following table presents the components of consolidated assets and liabilities as at March 31, 2022 and December 31, 2021, followed by a discussion of significant categories of assets and liabilities.

		As at March 31, 2022		As at December 31, 2021
Assets				
Cash and cash equivalents	$	**29,977**	$	61,712
Royalties receivable		**31,590**		30,148
Other current assets		**582**		567
Current assets		**62,149**		92,427
Royalty assets, net of accumulated amortization		**341,245**		293,658
Loan receivable		**49,680**		49,606
Other non-current assets		**699**		1,004
Non-current assets		**391,624**		344,268
Total assets	$	**453,773**	$	436,695
Liabilities				
Accounts payable and accrued liabilities	$	**1,052**	$	1,557
Distributions payable to unitholders		**2,898**		11,528
Current portion of long-term debt		**16,095**		5,321
Current portion of unit-based compensation liability		**389**		233
Other current liabilities		**177**		334
Current liabilities		**20,611**		18,973
Long-term debt		**53,313**		38,600
Unit-based compensation liability		**339**		137
Other non-current liabilities		**70**		—
Total liabilities	$	**74,333**	$	57,710

Royalty assets

As at March 31, 2022, the net book value of our royalty assets was $341,245 (December 31, 2021 – $293,658), net of accumulated amortization of $54,612 (December 31, 2021 – $41,837). During the three months ended March 31, 2022, the Trust recorded additions to the cost of its royalty assets totalling $60,362 (December 31, 2021 – $335,495) related to the Vonjo royalty transaction, as described on page 5 of this MD&A.

Loan receivable

On August 25, 2021, the Trust entered into an agreement with CTI to provide $50,000 in secured debt, as described on page 6 of this MD&A. As at March 31, 2022, the gross principal balance of the loan receivable was $50,000. A commitment fee of $500 was received by the Trust and recorded as a reduction in the gross principal amount receivable.

The carrying amount of the Trust's loan receivable is presented below:

		As at March 31, 2022		As at December 31, 2021
Principal loan receivable	$	**50,000**	$	50,000
Unamortized commitment fee		**(440)**		(465)
Exit fee receivable		**120**		71
Loan receivable	$	**49,680**	$	49,606

Distributions payable to unitholders

As at March 31, 2022, the Trust had distributions payable of $2,898 representing a quarterly cash distribution of $2,898 declared on March 7, 2022 to unitholders of record as at March 31, 2022, which was paid on April 20, 2022.

(in thousands of U.S. dollars, unless otherwise noted)

As at December 31, 2021, the Trust had distributions payable of $11,528 representing a quarterly cash distribution of $2,931 declared in November 2021 and a special cash distribution of $8,597 declared in December 2021 to unitholders of record as at December 31, 2021, which were paid on January 20, 2022.

The Trust pays a quarterly distribution in accordance with its distribution policy, as described in note 8 to the consolidated financial statements.

Long-term debt

In February 2021, in connection with the acquisition of royalty assets, as described on page 5 of this MD&A, the Trust assumed secured notes payable totalling $69,924, and was required to hold certain royalty cash receipts in trust and maintain restricted cash accounts as security for the secured notes. On October 22, 2021, the Trust entered into a new credit facility agreement and fully repaid the existing secured notes, as described on page 4 of this MD&A. Accordingly, the Trust was no longer required to hold royalty cash receipts in trust or maintain restricted cash accounts.

The new credit facility 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 existing secured notes and the remaining capacity to be used for financing future acquisitions; and (ii) a $25,000 senior secured revolving working capital facility ("**working capital credit facility**", together with the acquisition credit facility, the "**credit facility**"), the proceeds from which are to be used for general business purposes or to finance future acquisitions.

The credit facility bears interest at LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio. The unused portion of the revolving credit facility is subject to standby fees of 0.40% to 0.50% based on the Trust's leverage ratio. Interest payments are due on a quarterly basis, and the borrowings mature on October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining the lender's approval.

Principal repayments totalling 3.75% of the aggregate amount of borrowings made under the acquisition credit facility are due on a quarterly basis. Principal repayments do not result in a corresponding decrease in the borrowing capacity under the facility. Principal repayments on the working capital credit facility are due on maturity.

The carrying amount of the Trust's long-term debt is presented below:

	As at March 31, 2022			As at December 31, 2021
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	**$ 175,000**	**$ 104,024**	**$ 70,976**	$ 45,526
Working capital credit facility	**25,000**	**25,000**	**—**	—
Deferred transaction costs, net of amortization	**n/a**	**n/a**	**(1,568)**	(1,605)
Total long-term debt	**$ 200,000**	**$ 129,024**	**$ 69,408**	$ 43,921
Current portion of credit facility			**16,095**	$ 5,321
Long-term portion of credit facility			**53,313**	38,600
Total long-term debt			**$ 69,408**	$ 43,921

The increase in the carrying amount is attributed to a drawing made on March 7, 2022 of $60,000 from the acquisition credit facility to fund the tiered royalty transaction on Vonjo, as described on page 5 of this MD&A. Additionally, during the three months ended March 31, 2022, the Trust made a voluntary principal repayment of $30,526 and a regular principal repayment of $4,024 related to the credit facility, totalling $34,550.

The following table presents expected principal repayments to be made until the maturity of the loan:

	Total
Remainder of: 2022	$ 8,048
Full year: 2023	16,095
Full year: 2024	46,833
	$ 70,976

The Trust is subject to certain financial as well as customary non-financial covenants under the credit facility. Substantially all of the assets of the Trust are pledged as collateral under the credit facility. As at March 31, 2022, the Trust was in compliance with all covenant requirements under the credit facility.

On April 20, 2022, the Trust entered into an amended and restated credit agreement with a syndicate of lenders that added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan which can be drawn against in the future to fund transactions. As part of the amendment, the interest rate for new drawings on the credit facility was revised 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. All other material terms of the credit facility remained unchanged.

(in thousands of U.S. dollars, unless otherwise noted)

FINANCIAL REVIEW: CASH FLOWS

The Trust generated the following cash flows during the three months ended March 31, 2022 and 2021.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash and cash equivalents – beginning of period	$ **61,712**	$ —
Cash provided by operating activities	**15,943**	3,599
Cash provided by financing activities	**11,072**	380,060
Cash used in investing activities	**(58,750)**	(277,963)
Change in cash and cash equivalents	**(31,735)**	105,696
Cash and cash equivalents – end of period	$ **29,977**	$ 105,696

During the three months ended March 31, 2022, the Trust generated cash flows provided by operating activities of $15,943 (2021 – $3,599) primarily related to cash royalties and interest received.

For the three months ended March 31, 2022, the Trust generated $11,072 in cash provided by financing activities. The Trust borrowed $25,450 from its credit facility net of principal repayments, and used cash flows of $340 to make related interest payments. During the same period, the Trust also used cash flows of $2,510 for repurchasing Trust units under its NCIB plan, and paid a cash distribution of $11,528 to unitholders. For the three months ended March 31, 2021, the Trust issued units for proceeds totalling $400,000 and paid unit issuance costs of $19,940 in connection with the completion of its initial public offering and concurrent private placement, as described on page 5 of this MD&A.

The Trust used cash flows of $58,750 in investing activities for the three months ended March 31, 2022 primarily for the Vonjo royalty transaction for $60,000, as described on page 5 of this MD&A, offset by cash interest received of $1,250 on the CTI loan. For the three months ended March 31, 2021, the Trust used cash flows of $277,963 in investing activities primarily related to the royalty asset transactions and certain other net assets, as described on page 5 of this MD&A.

EQUITY

Authorized equity

The Trust's authorized equity capital consists of: (i) an unlimited number of units; and (ii) an unlimited number of preferred units, issuable in series. Issued and outstanding units may be subdivided or consolidated from time to time by the Trust without notice to, or the approval of, the unitholders.

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 discussed in further detail in note 8 to the consolidated financial statements.

(in thousands of U.S. dollars, unless otherwise noted)

The following table outlines the change in the number of units outstanding from December 31, 2020 to March 31, 2022.

	Units		Weighted Average Cost per Unit		Total Cost
Balance – December 31, 2020	**1**		**n/a**	**$**	**—**
Issuance of units:					
Initial private offering	3,580,407	$	9.70		34,730
Initial public offering	36,527,000	$	10.00		365,270
Unit issuance costs	n/a		n/a		(21,891)
Repurchase and cancellation of units	(1)	$	10.00		—
Balance – March 31, 2021	**40,107,407**		**n/a**	**$**	**378,109**
Issuance of units:					
Vesting of restricted units	15,343	$	6.70		103
Unit issuance costs	n/a		n/a		(106)
Repurchase and cancellation of units – NCIB	(1,043,070)	$	5.25		(5,478)
Unit distributions to unitholders	271,515	$	5.18		1,406
Consolidation of units	(271,515)		n/a		n/a
Balance – December 31, 2021	**39,079,680**		**n/a**	**$**	**374,034**
Issuance of units:					
Vesting of restricted units	**35,228**	**$**	**4.80**		**169**
Repurchase and cancellation of units – NCIB	**(477,980)**	**$**	**5.25**		**(2,510)**
Balance – March 31, 2022	**38,636,928**		**n/a**	**$**	**371,693**

Vesting of restricted units

During the three months ended March 31, 2022, the Trust issued 35,228 units on the vesting of restricted units which were granted on October 8, 2021, as described on page 8 of this MD&A.

During 2021, the Trust issued 15,343 units on the vesting of restricted units which were granted on October 1, 2021, as described on page 8 of this MD&A.

In April 2022, the Trust issued an additional 17,823 units in connection with the vesting of RUs which were granted on October 8, 2021 and the related distribution equivalent units.

Normal course issuer bid

As described on page 4 of this MD&A, on September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange 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. On March 8, 2022, the Trust was granted approval by the Toronto Stock Exchange to amend its NCIB and increase the total number of units that can be repurchased under the NCIB to 2,500,000 units. The expiry date of October 4, 2022 for the NCIB remains unchanged.

During the three months ended March 31, 2022, the Trust had acquired and cancelled 477,980 units at an average price of $5.25, totalling $2,510. During 2021, the Trust had acquired 1,043,070 units at an average price of $5.25, totalling $5,478. As at March 31, 2022, the Trust had cumulatively acquired and cancelled 1,521,050 units at an average unit price of $5.25, totalling $7,988 under the NCIB plan.

Preferred units

Preferred units rank on a parity with the preferred units of every other series and are entitled to preference over our units and any other of our units ranking junior to the preferred units with respect to payment of distributions. Preferred units are discussed in further detail in note 8 to the consolidated financial statements. As at March 31, 2022, no preferred units had been issued or were outstanding (December 31, 2021 – nil).

Distributions

The payment of any distributions by the Trust is at the sole discretion of our board of trustees, which may change our distribution policy at any time, and will be paid out of our distributable reserves. Our board of trustees takes into account general economic and business conditions, our strategic plans and prospects, our business and asset acquisition opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our unitholders, and such other factors as our board of trustees may deem relevant. The payment of distributions is therefore not guaranteed. However, total annual distributions will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the Income Tax Act (Canada).

(in thousands of U.S. dollars, unless otherwise noted)

The following table presents cash distributions declared and paid by the Trust:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
2021				
Q1 2021 – Quarterly cash distribution	March 31, 2021	April 20, 2021	$ 0.0167	$ 670
Q2 2021 – Quarterly cash distribution	June 30, 2021	July 20, 2021	$ 0.0375	1,504
Q3 2021 – Quarterly cash distribution	September 30, 2021	October 20, 2021	$ 0.0375	1,504
Q4 2021 – Quarterly cash distribution	December 31, 2021	January 20, 2022	$ 0.0750	2,931
Q4 2021 – Special cash distribution	December 31, 2021	January 20, 2022	$ 0.2200	8,597
Q4 2021 – Unit distribution(i)	December 31, 2021	n/a	$ 0.0360	1,406
			$ 0.4227	16,612
2022				
Q1 2022 – Quarterly cash distribution	March 31, 2022	April 20, 2022	**$ 0.0750**	**2,898**
			$ 0.0750	**2,898**
Total			**$ 0.4977**	**$ 19,510**

(i) In December 2021, the Trust declared a special unit distribution of $0.035979841 per unit, totalling $1,406 to unitholders of record as at December 31, 2021, which was issued on December 31, 2021. 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.

During the three months ended March 31, 2022, the Trust declared cash distributions totalling $2,898. During 2021, the Trust declared distributions totalling $16,612, comprised of cash distributions of $15,206 and a unit distribution of $1,406.

On May 10, 2022, the board of trustees declared a quarterly cash distribution of $0.0750 per unit to unitholders of record as at June 30, 2022 and payable on July 20, 2022.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022, the Trust's capital was $442,669, and consisted of its unitholders' capital and long-term debt.

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.

The Trust has access to a number of capital sources, including: (i) cash on hand; (ii) internally generated cash flow; (iii) debt financing; (iv) the issuance of Trust units to royalty sellers; and (v) future public equity issuances.

Our primary ongoing source of liquidity is cash provided by operating activities. The Trust generated $15,943 of cash provided by operating activities during the three months ended March 31, 2022. Additionally, the Trust has issued, and may in the future issue, debt instruments. Details of the Trust's existing credit facility are provided on page 15 of this MD&A.

We believe our existing capital resources and cash provided by operating activities will continue to allow us to meet our operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of our credit facility for the foreseeable future. As at March 31, 2022, the Trust was in compliance with all externally imposed capital requirements.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of Vonjo, as described on page 6 of this MD&A. In accordance with the terms of the royalty agreement, CTI may be entitled to additional consideration of up to $25,000 in the event that Vonjo sales exceed certain thresholds within a predefined period of time.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at March 31, 2022.

RELATED-PARTY TRANSACTIONS

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

Management fees

Under the management agreement, the Trust is required to pay quarterly management fees to our manager or its affiliates equal to 6.50% of total cash receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter, as described in note 2(m) to the Trust's 2021 annual consolidated financial statements.

(in thousands of U.S. dollars, unless otherwise noted)

Performance fees

Our manager is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement, as described in note 2(n) to the Trust's 2021 annual consolidated financial statements. The Trust did not record any performance fees for the three months ended March 31, 2022 (2021 – nil).

Servicer fees

Our manager provided administrative services to the Trust for servicing the secured notes, for which it receives a fee of $400 per quarter. On October 22, 2021, the secured notes were fully repaid and the Trust entered into a new credit facility, as described on page 15 of this MD&A. Accordingly, the servicing agreement in connection with the secured notes was terminated.

During the three months ended March 31, 2022, the Trust recorded the following transactions and balances with DRI Capital.

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Management fee expense	$ 1,437	$ 883
Servicer fees	$ —	$ 178
	As at March 31, 2022	**As at December 31, 2021**
Accounts payable and accrued liabilities	$ —	$ 2

Key management compensation

During the three months ended March 31, 2022 and 2021, the Trust issued compensation to members of the board of trustees, as described on page 9 of this MD&A.

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 were issued on the vesting of RUs during the year. During the three months ended March 31, 2022, the Trust recorded unit-based compensation expense of $24 related to the issuance of RUs and the accretion of the related distribution equivalent units (2021 – nil).

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 to the Trust's 2021 annual consolidated financial statements. There were no changes to the accounting policies in the current period.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of these consolidated financial statements, the Trust has used consistent judgment and estimates as described in note 3 to the Trust's 2021 annual consolidated financial statements.

SUBSEQUENT EVENTS

2022 second quarter distribution declared

On May 10, 2022, the board of trustees declared a quarterly distribution of $0.0750 per unit to unitholders of record as at June 30, 2022 and payable on July 20, 2022.

Vesting of restricted units

In April 2022, the Trust issued an additional 17,823 units in connection with the vesting of RUs which were granted on October 8, 2021 and the related distribution equivalent units.

Credit facility amendment

On April 20, 2022, the Trust entered into an amended and restated credit agreement with a syndicate of lenders that added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan which can be drawn against in the future to fund transactions. As part of the amendment, the interest rate for new drawings on the credit facility was revised 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. All other material terms of the credit facility remained unchanged.