



**DRI HEALTHCARE TRUST**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....	1
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) .....	2
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....	3
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS .....	4
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	5
NOTE 1   BASIS OF PREPARATION .....	5
NOTE 2   MATERIAL ACCOUNTING POLICIES .....	6
NOTE 3   USE OF JUDGMENTS AND ESTIMATES .....	6
NOTE 4   ASSET TRANSACTIONS .....	6
NOTE 5   ROYALTY ASSETS .....	9
NOTE 6   LOAN RECEIVABLE .....	11
NOTE 7   CREDIT FACILITY AND PREFERRED SECURITIES .....	11
NOTE 8   EQUITY .....	14
NOTE 9   NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) PER UNIT .....	16
NOTE 10   UNIT-BASED COMPENSATION .....	16
NOTE 11   DEAL INVESTIGATION AND RESEARCH EXPENSES .....	17
NOTE 12   OTHER OPERATING EXPENSES .....	17
NOTE 13   FINANCIAL INSTRUMENTS .....	18
NOTE 14   FAIR VALUE MEASUREMENTS .....	18
NOTE 15   CAPITAL MANAGEMENT .....	19
NOTE 16   COMMITMENTS .....	19
NOTE 17   RELATED-PARTY TRANSACTIONS .....	19
NOTE 18   SUBSEQUENT EVENTS .....	20
INVESTOR INFORMATION .....	21

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>		As at March 31, 2023	As at December 31, 2022
<b>Assets</b>			
Cash and cash equivalents		\$ 10,454	\$ 36,686
Royalties receivable		30,774	27,748
Other current assets		915	469
<b>Current assets</b>		<b>42,143</b>	<b>64,903</b>
Royalty assets, net of accumulated amortization	note 5	599,582	518,134
Loan receivable	note 6	49,971	49,897
Other non-current assets		635	485
<b>Non-current assets</b>		<b>650,188</b>	<b>568,516</b>
<b>Total assets</b>		<b>\$ 692,331</b>	<b>\$ 633,419</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$ 3,579	\$ 5,542
Distributions payable to Unitholders	note 8	2,811	2,834
Current portion of credit facility	note 7	30,220	34,571
Current portion of unit-based compensation liability	note 10	582	509
Other current liabilities	note 4	616	6,640
<b>Current liabilities</b>		<b>37,808</b>	<b>50,096</b>
Credit facility	note 7	194,962	210,417
Preferred securities	note 7	90,398	—
Unit-based compensation liability	note 10	371	269
Other non-current liabilities		377	296
<b>Total liabilities</b>		<b>323,916</b>	<b>261,078</b>
<b>Equity</b>			
Unitholders' capital	note 8	371,910	373,577
Other equity	note 8	1,675	—
Accumulated retained deficit		(5,170)	(1,236)
<b>Total equity</b>		<b>368,415</b>	<b>372,341</b>
<b>Total liabilities and equity</b>		<b>\$ 692,331</b>	<b>\$ 633,419</b>

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

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

<i>(unaudited)</i> <i>(in thousands of U.S. dollars except per unit data)</i>		<b>Three months ended March 31, 2023</b>	Three months ended March 31, 2022
<b>Income</b>			
Royalty income	note 5	\$ 26,292	\$ 21,301
Interest income on loan receivable	note 6	1,707	1,324
Other interest income		237	—
<b>Total income</b>		<b>28,236</b>	<b>22,625</b>
<b>Expenses</b>			
Amortization of royalty assets	note 5	19,168	12,775
Management fees	note 17	1,676	1,437
Interest expense	note 7	6,166	418
Deal investigation and research expenses	note 11	981	876
Unit-based compensation	note 10	288	527
Other operating expenses	note 12	1,080	898
<b>Total expenses</b>		<b>29,359</b>	<b>16,931</b>
<b>Net earnings (loss) and comprehensive earnings (loss)</b>		<b>\$ (1,123)</b>	<b>\$ 5,694</b>
<b>Net earnings (loss) and comprehensive earnings (loss) per Unit</b>			
Basic	note 9	\$ (0.03)	\$ 0.15
Diluted	note 9	\$ (0.03)	\$ 0.15

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 Retained Earnings (Deficit)	Total Equity
<b>Balance – December 31, 2021</b>	<b>\$ 374,034</b>	<b>\$ —</b>	<b>\$ 4,951</b>	<b>\$ 378,985</b>
Issuance of Units:				
Vesting of Restricted Units	note 10 169	—	—	169
Repurchase and cancellation of Units	note 8 (2,510)	—	—	(2,510)
Cash distributions to Unitholders	note 8 —	—	(2,898)	(2,898)
Net earnings and comprehensive earnings	—	—	5,694	5,694
<b>Balance – March 31, 2022</b>	<b>\$ 371,693</b>	<b>\$ —</b>	<b>\$ 7,747</b>	<b>\$ 379,440</b>
<b>Balance – December 31, 2022</b>	<b>\$ 373,577</b>	<b>\$ —</b>	<b>\$ (1,236)</b>	<b>\$ 372,341</b>
Issuance of Units:				
Vesting of Restricted Units	note 10 68	—	—	68
Issuance of Warrants	note 8 —	2,229	—	2,229
Warrant issuance costs	note 8 —	(74)	—	(74)
Repurchase and cancellation of Units	note 8 (1,735)	—	—	(1,735)
Reserve for Units subject to automated purchase plan	note 8 —	(480)	—	(480)
Cash distributions to Unitholders	note 8 —	—	(2,811)	(2,811)
Net loss and comprehensive loss	—	—	(1,123)	(1,123)
<b>Balance – March 31, 2023</b>	<b>\$ 371,910</b>	<b>\$ 1,675</b>	<b>\$ (5,170)</b>	<b>\$ 368,415</b>

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>		Three months ended March 31, 2023	Three months ended March 31, 2022
<b>Operating Activities</b>			
Net earnings (loss) and comprehensive earnings (loss)	\$	(1,123) \$	5,694
Adjustment for non-cash items:			
Interest income on loan receivable	note 6	(1,707)	(1,324)
Interest expense	note 7	6,166	418
Amortization of royalty assets	note 5	19,168	12,775
Unit-based compensation expense	note 10	288	527
		<b>22,792</b>	<b>18,090</b>
Changes in non-cash working capital:			
Royalties receivable		(2,930)	(1,441)
Other current assets		(446)	(15)
Other non-current assets		(89)	26
Accounts payable and accrued liabilities		606	(630)
Other current liabilities		(4)	(157)
Other non-current liabilities		82	70
		<b>(2,781)</b>	<b>(2,147)</b>
Cash provided by operating activities	\$	<b>20,011</b> \$	<b>15,943</b>
<b>Financing Activities</b>			
Repurchase and cancellation of Units	note 8	(1,735)	(2,510)
Distributions to Unitholders paid in cash	note 8	(2,834)	(11,528)
Drawings from credit facility	note 7	70,000	60,000
Repayment of credit facility	note 7	(89,377)	(34,550)
Cash interest paid	note 7	(8,268)	(340)
Debt issuance costs paid	note 7	(735)	—
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	\$	<b>59,054</b> \$	<b>11,072</b>
<b>Investing Activities</b>			
Purchase of royalty assets and other net assets, net of cash	note 4	\$ (106,500) \$	(60,000)
Cash transaction costs paid	note 4	(430)	—
Cash interest received	note 6	1,633	1,250
Cash used in investing activities	\$	<b>(105,297)</b> \$	<b>(58,750)</b>
Increase (decrease) in cash and cash equivalents	\$	<b>(26,232)</b> \$	(31,735)
Cash and cash equivalents, beginning of period		<b>36,686</b>	61,712
<b>Cash and cash equivalents</b>	<b>\$</b>	<b>10,454</b> \$	<b>29,977</b>

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. 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.

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**” or “**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 May 11, 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 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.

## 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 policy.

### Warrants

The Trust has classified its Warrants 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 these Warrants are shown in other equity as a reduction from the fair value of such Warrants.

## 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

#### Tzield Transaction

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 entitles the Trust to a single-digit royalty on worldwide net sales of Tzield. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on Tzield sales beginning January 1, 2023. Tzield is protected by patent and regulatory exclusivities for 12 years from its first commercial sale. 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 asset acquired.

In accordance with the terms of the royalty agreement, upon the occurrence of certain pre-specified events that may occur between mid-2023 and 2028 tied to the successful advancement of Tzield for the treatment of newly diagnosed or recent-onset type 1 diabetes, the Trust will pay the royalty seller an additional milestone payment of up to \$50,000. A second milestone payment of \$50,000 may be paid in the event Tzield sales exceed certain thresholds.

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 Provention Bio, Inc. and Sanofi S.A. ("**Sanofi**") through a co-promotion agreement.

Subsequent to March 31, 2023, on April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for \$210,000. Subject to the terms of the agreement, the Trust has 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 will use \$20,000 of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023, as described in note 8. An additional portion of the proceeds was used to pay down the entire balance outstanding under the Trust's revolving acquisition credit facility on May 2, 2023, leaving the total available credit under the amended credit facility as \$250,000, as described in note 7.

#### Summary of Transactions Completed in 2023

The following asset was acquired in the royalty transaction for the three months ended March 31, 2023:

	Tzield Transaction	Total for the three months ended March 31, 2023
Assets		
Royalties receivable	\$ 96	\$ 96
Royalty assets	99,904	99,904
Net acquired assets	\$ 100,000	\$ 100,000

#### Additional Empaveli/Syfovre Royalty Stream

Subsequent to March 31, 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for \$3,700. The transaction was completed on April 3, 2023. The transaction entitles the Trust to an additional fractional percentage of worldwide net sales of pegcetacoplan.



## 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.

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 is also 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.

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 Transaction

On July 20, 2022, the Trust bought royalties on the sales of Empaveli (pegcetacoplan) for \$24,500. The transaction entitles the Trust to a less than one percent 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 has an option to increase the annual sales cap to \$1.1 billion in exchange for a one-time payment of \$21,000. The Trust has until June 2023 to exercise this option. 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 royalty term is expected to expire in the U.S. in the first quarter of 2032 and in the European Union (“EU”) in the third quarter of 2032.

The Trust has recognized royalty assets of \$23,646 related to Empaveli and other current assets of \$500 related to the option to increase the annual sales cap. The Trust records amortization related to the option 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. 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 European Medicines Agency (“EMA”) in 2021. It is marketed in the U.S. by Apellis Pharmaceuticals Inc. and outside the U.S., including the EU, by Swedish Orphan Biovitrum AB, 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 U.S. by Apellis Pharmaceuticals Inc. 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 both the FDA and the EMA as a treatment for both first-line and recurrent ovarian cancer.

*(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 one percent 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. 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 assets were acquired in these royalty transactions for the year ended December 31, 2022:

	Vonjo Transaction	Empaveli Transaction	Zejula Transaction	Omidria Transaction	Xenpozyme Transaction	Total for the year ended December 31, 2022
<b>Assets</b>						
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
<b>Net acquired assets</b>	<b>\$ 66,500</b>	<b>\$ 24,500</b>	<b>\$ 35,000</b>	<b>\$ 125,000</b>	<b>\$ 30,000</b>	<b>\$ 281,000</b>

## 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 acquisition transactions, as described in note 4.

	Cost	Accumulated Amortization	Net Book Value
<b>As at January 1, 2022</b>	<b>\$ 335,495</b>	<b>\$ (41,837)</b>	<b>\$ 293,658</b>
Additions <sup>(i)</sup>	60,362	—	60,362
Amortization	—	(12,775)	(12,775)
<b>As at March 31, 2022</b>	<b>395,857</b>	<b>(54,612)</b>	<b>341,245</b>
Additions <sup>(ii)</sup>	223,380	—	223,380
Amortization	—	(46,491)	(46,491)
Dispositions <sup>(iii)</sup>	(1,956)	1,956	—
<b>As at December 31, 2022</b>	<b>617,281</b>	<b>(99,147)</b>	<b>518,134</b>
Additions <sup>(iv)</sup>	100,616	—	100,616
Amortization	—	(19,168)	(19,168)
<b>As at March 31, 2023</b>	<b>\$ 717,897</b>	<b>\$ (118,315)</b>	<b>\$ 599,582</b>

(i) Includes capitalized transaction costs of \$362 related to the Vonjo Transaction, as described in note 4.

(ii) Includes capitalized transaction costs of \$270 related to the Vonjo Transaction, \$788 related to the Empaveli Transaction, \$566 related to the Zejula Transaction, \$1,116 related to the Omidria Transaction and \$1,506 related to the Xenpozyme Transaction, as described in note 4.

(iii) 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.

(iv) Includes capitalized transaction costs of \$712 related to the Tzield Transaction, as described in note 4.

As at March 31, 2023, the net book value of our royalty assets was \$599,582 (December 31, 2022 – \$518,134), net of accumulated amortization of \$118,315 (December 31, 2022 – \$99,147). During the three months ended March 31, 2023, the Trust recorded additions to the cost of its royalty assets totaling \$100,616 (December 31, 2022 – \$283,742) related to the Tzield royalty transaction, 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.

The announcement by Takeda and the ongoing review by the Trust represent an indicator of potential impairment which requires the Trust to determine the recoverable amount of Natpara to assess if the asset is impaired as at March 31, 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 its royalty asset related to Natpara as at March 31, 2023. The net book value of Natpara as at March 31, 2023 is \$17,484 (December 31, 2022 – \$19,399). Given the ongoing review it is reasonably possible, on the basis of existing knowledge, that outcomes in upcoming quarters of 2023 will be different from the assumptions used as at March 31, 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 March 31, 2023:

Royalty Asset	Therapeutic Area	Primary Marketer(s)	Acquisition Quarter	Expected Royalty Expiry <sup>(i)</sup>
Empaveli/Syfovre <sup>(ii)</sup>	Hematology/Ophthalmology	Apellis, Swedish Orphan Biovitrum	Q3 2022	Q1 2034
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
Rydapt	Oncology	Novartis	Q1 2021	Q1 2028
Spinraza	Neurology	Biogen	Q1 2021	Q3 2031
Stelara, Simponi and Ilaris <sup>(iii)</sup>	Autoimmune Diseases	Various	Q1 2021	Q1 2025
Tzield <sup>(iv)</sup>	Autoimmune Diseases	Provention, Sanofi	Q1 2023	Q1 2035
Vonjo	Oncology	CTI	Q1 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	Q4 2022	Q4 2036
Xolair	Respiratory	Roche, Novartis	Q1 2021	Q2 2032
Zejula	Oncology	GSK	Q3 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	Q1 2021	Q2 2028
Other Products <sup>(v)</sup>	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 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) 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.
- (iv) The Tzield royalty was acquired on March 8, 2023. Subsequent to March 31, 2023, on April 27, 2023, the Trust sold the Tzield royalty, as described in note 4.
- (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 March 31, 2023	Three months ended March 31, 2022	As at March 31, 2023	As at December 31, 2022
Empaveli/Syfovre <sup>(i)</sup>	\$ 782	\$ —	\$ 22,898	\$ 23,437
Eylea I	1,317	1,485	14,230	15,164
Eylea II	303	1,630	7,392	7,877
FluMist	31	105	1,405	2,096
Natpara	639	707	17,484	19,399
Omidria <sup>(i)</sup>	3,250	—	117,951	121,782
Oracea	2,356	1,700	30,559	32,144
Rydapt	2,934	3,270	8,461	8,899
Spinraza	3,843	3,693	84,075	86,587
Stelara, Simponi and Ilaris <sup>(ii),(iii)</sup>	258	1,074	3,390	3,871
Tzield <sup>(i),(iv)</sup>	35	—	100,080	—
Vonjo	1,421	88	61,499	62,876
Xenpozyme <sup>(i)</sup>	30	—	30,711	31,293
Xolair	2,945	2,800	46,092	47,389
Zejula <sup>(i)</sup>	773	—	33,156	33,973
Zytiga	4,822	4,415	17,506	18,465
Other Products <sup>(v)</sup>	553	334	2,693	2,882
<b>Total</b>	<b>\$ 26,292</b>	<b>\$ 21,301</b>	<b>\$ 599,582</b>	<b>\$ 518,134</b>

- (i) The Trust recorded no royalty income related to Empaveli/Syfovre, Omidria, Tzield, Xenpozyme or Zejula prior to March 31, 2022 as the Trust obtained control over the royalty assets in subsequent periods, as described in note 4.
- (ii) 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.
- (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 Ilaris 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. There is no remaining obligation as at March 31, 2023 (December 31, 2022 – nil) related to the past overpayments.
- (iv) The Tzield royalty was acquired on March 8, 2023. Subsequent to March 31, 2023, on April 27, 2023, the Trust sold the Tzield royalty, as described in note 4.
- (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.

### Royalty Income

Royalty income for the three months ended March 31, 2023 was \$26,292 (2022 – \$21,301). The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets. For the three months ended March 31, 2023, the Trust recorded royalty income earned related to Empaveli/Syfovre, Omidria, Tzield, Xenpozyme and Zejula, which were added to the portfolio subsequent to March 31, 2022. Royalty entitlement rights related to Stelara, Simponi and Ilaris continued to expire in major geographic areas throughout 2022 and the first quarter of 2023 in accordance with the terms of the royalty agreements.

### Net Book Value

During the three months ended March 31, 2023, the Trust recorded additions to the cost of its royalty assets totaling \$100,616 (December 31, 2022 – \$283,742) related to the Tzield royalty transaction, as described in note 4.

During the three months ended March 31, 2023, the Trust recorded amortization expense of \$19,168 (2022 – \$12,775). The Trust records amortization related to royalty assets from the date on which the Trust obtains control of those assets. During the three months ended March 31, 2023, the Trust recorded amortization related to Empaveli/Syfovre, Omidria, Tzield, Xenpozyme and Zejula, which were acquired subsequent to March 31, 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.

The loan receivable bears interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. Interest payments are due quarterly and the principal amount of the loan is due on maturity. As the more commonly used U.S. dollar LIBOR settings will be discontinued effective June 30, 2023, the interest rate on the loan receivable will be transitioned to the Secured Overnight Financing Rate (“**SOFR**”) plus an adjustment spread. The Trust is 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 income are presented below:

		As at March 31, 2023	As at December 31, 2022
Principal loan receivable	\$	50,000	\$ 50,000
Unamortized commitment fee		(343)	(368)
Exit fee receivable		314	265
<b>Loan receivable</b>	<b>\$</b>	<b>49,971</b>	<b>\$ 49,897</b>

  

		Three months ended March 31, 2023	Three months ended March 31, 2022
Interest on principal loan receivable	\$	1,633	\$ 1,250
Amortization of commitment fee		25	25
Accretion of exit fee receivable		49	49
<b>Interest income on loan receivable</b>	<b>\$</b>	<b>1,707</b>	<b>\$ 1,324</b>

## NOTE 7 | CREDIT FACILITY AND PREFERRED SECURITIES

### Credit Facility

On October 22, 2021, the Trust entered into a 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 to be used for general business purposes or to finance future transactions. The unused portion of the credit facility is 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 (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 has been extended to March 30, 2026 from the original maturity date of October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders. All other material terms of the credit agreement remain unchanged.

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 March 31, 2023 (December 31, 2022 – nil).

During the three months ended March 31, 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
		<b>\$</b>	<b>250,000</b>
2023			
Tzield <sup>(i)</sup>	March 6, 2023	Acquisition credit facility	70,000
<b>Total</b>		<b>\$</b>	<b>320,000</b>

(i) The Tzield Transaction was partially funded by the Trust's existing cash and cash flows.

During the three months ended March 31, 2023, the Trust made repayments of \$89,377 (2022 – \$34,550), comprised of regular principal repayments of \$21,222 (2022 – \$4,024) and a voluntary principal repayment of \$68,155 (2022 – \$30,526) on its amended credit facility.

Subsequent to March 31, 2023, the Trust drew \$3,715 from the acquisition credit facility to fund the purchase of an additional royalty stream on Empaveli/Syfovre and related closing costs, as described in note 4. In addition, on May 2, 2023, the Trust made an additional principal repayment of \$146,267 related to the acquisition credit facility, using the proceeds from the sale of Tzield, as described in note 4. As a result, the total available credit under the amended credit facility is \$250,000 as at May 11, 2023.

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

	As at March 31, 2023			As at December 31, 2022
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	\$ 225,000	\$ 82,448	\$ 142,552	\$ 102,554
Working capital credit facility	25,000	25,000	—	—
Term credit facility	88,750	—	85,000	144,375
	<b>\$338,750</b>	<b>\$107,448</b>	<b>\$227,552</b>	\$246,929
Deferred transaction costs, net of amortization	n/a	n/a	(2,370)	(1,941)
<b>Total</b>	<b>\$ 338,750</b>	<b>\$ 107,448</b>	<b>\$ 225,182</b>	\$ 244,988
Current portion of credit facility			30,220	\$ 34,571
Long-term portion of credit facility			194,962	210,417
<b>Total</b>			<b>\$ 225,182</b>	\$ 244,988

The following table presents expected principal repayments to be made until the maturity of the amended credit facility as at March 31, 2023:

	Total
Remainder of: 2023	\$ 20,146
Full year: 2024	50,366
Full year: 2025	40,293
Full year: 2026	116,747
	<b>\$ 227,552</b>

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 March 31, 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 (the "**Private Placement**") to a group of investors, the proceeds from which are to be used to finance future transactions or 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, 2073 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 March 31, 2023	As at December 31, 2022
Series A	\$	77,189	\$ —
Series B		16,055	—
	\$	93,244	\$ —
Deferred transaction costs, net of amortization		(2,846)	—
<b>Total</b>	\$	90,398	\$ —

The summary of interest expense for the three months ended March 31, 2023 and 2022 is presented below:

		Three months ended March 31, 2023	Three months ended March 31, 2022
Interest on credit facility net borrowings	\$	4,027	\$ 224
Standby fees		133	157
Amortization of deferred transaction costs		305	37
<b>Total interest expense on credit facilities</b>	\$	4,465	\$ 418
Interest on Preferred Securities	\$	1,151	—
Accretion of par value		473	—
Amortization of deferred transaction costs		77	—
<b>Total interest expense on Preferred Securities</b>	\$	1,701	\$ —
<b>Total interest expense</b>	\$	6,166	\$ 418

## 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 March 31, 2023:

	Units	Weighted Average Cost per Unit	Total Cost
<b>Balance – December 31, 2021</b>	<b>39,079,680</b>	<b>n/a</b>	<b>\$ 374,034</b>
Issuance of Units:			
Units issued on the vesting of Restricted Units	35,228	\$ 4.80	169
Repurchase and cancellation of Units – NCIB	(477,980)	\$ 5.25	(2,510)
<b>Balance – March 31, 2022</b>	<b>38,636,928</b>	<b>n/a</b>	<b>371,693</b>
Issuance of Units:			
Units issued on the vesting of Restricted Units	63,927	\$ 5.99	383
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
<b>Balance – December 31, 2022</b>	<b>37,790,395</b>	<b>n/a</b>	<b>\$ 373,577</b>
Issuance of Units:			
Units issued on the vesting of Restricted Units	12,706	\$ 5.36	68
Repurchase and cancellation of Units – NCIB	(319,453)	\$ 5.43	(1,735)
<b>Balance – March 31, 2023</b>	<b>37,483,648</b>	<b>n/a</b>	<b>\$ 371,910</b>

*Vesting of Restricted Units*

During the three months ended March 31, 2023, the Trust issued 12,706 Units on the vesting of Restricted Units (“RUs”) which were granted on November 22, 2022, as described in note 10.

During the three months ended March 31, 2022, the Trust issued 35,228 Units on the vesting of RUs, which were granted on October 8, 2021, as described in note 10.

For the period from April 1, 2022 to December 31, 2022, the Trust issued a total of 63,927 Units on the vesting of RUs, 11,019 of which were granted on September 10, 2021, 17,823 of which were granted on October 8, 2021 and 35,085 of which were granted on November 30, 2021, as described in note 10.

In April 2023, the Trust issued an additional 8,727 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 (“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**”). On March 31, 2023, 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 period from March 31, 2023 to May 12, 2023, provided that the combined repurchases under the plan do not exceed C\$650 (\$480).



During the three months ended March 31, 2023, the Trust acquired and cancelled 319,453 Units at an average price of \$5.43, totaling \$1,735. As at March 31, 2023, in aggregate, the Trust had acquired and cancelled 2,750,963 Units at an average unit price of \$5.26, totaling \$14,476 under the NCIB plan. On March 30, 2023, the Trust acquired 6,000 Units at a price of \$5.49, totaling \$33, which settled on April 3, 2023.

As at March 31, 2023, the Trust has recorded an other current liability of \$480 representing the maximum amount that would be required to settle the AUPP in effect on March 31, 2023 with a corresponding decrease in other equity. The actual number of Units repurchased under the AUPP may be less than the estimate as at March 31, 2023 resulting in a decrease in other current liabilities and an increase in other equity. During the period from March 31, 2023 to May 11, 2023, the Trust acquired 200 Units at an average price of \$5.48, totaling \$1 under the AUPP.

(ii) *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. In the event of the liquidation, dissolution or winding-up of the Trust, whether voluntary or involuntary, the holders of Preferred Units 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 Preferred Units, with respect to the repayment of capital paid up and the payment of unpaid distributions accrued on the Preferred Units.

Preferred Units 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 Preferred Units determine the maximum number of Units of each series, create an identifying name for each series, attach special rights or restrictions to the Preferred Units 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 Preferred Units issued from time to time, the holders of Preferred Units will not be entitled to receive notice of, attend or vote at any meeting of Unitholders.

As at March 31, 2023, no Preferred Units had been issued or were outstanding (December 31, 2022 – nil).

(iii) *Warrants*

In connection with the February 2023 Private Placement, the Trust issued 6,369,180 Warrants to the Private Placement investors. Each whole 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 March 31, 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 three months ended March 31, 2023:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
<b>2022</b>				
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 <sup>(i)</sup>	December 31, 2022	n/a	\$ 0.1655	\$ 6,254
			\$ 0.4655	\$ 17,785
<b>2023</b>				
Q1 2023 – Quarterly cash distribution	March 31, 2023	April 20, 2023	\$ 0.0750	\$ 2,811
			\$ 0.0750	\$ 2,811
<b>Total</b>			<b>\$ 0.5405</b>	<b>\$ 20,596</b>

(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.

During the three months ended March 31, 2023, the board of trustees declared distributions totaling \$2,811 (2022 – \$2,898). 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 April 27, 2023, the board of trustees declared a special cash distribution totaling \$20,000 to Unitholders of record as at June 30, 2023 and payable on July 20, 2023.

On May 11, 2023, the board of trustees declared a quarterly cash distribution of \$0.0750 per Unit to Unitholders of record as at June 30, 2023 and payable on July 20, 2023.

## NOTE 9 | NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS) PER UNIT

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Basic	37,753,194 Units	38,743,644 Units
Diluted	37,821,801 Units	38,743,769 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 months ended March 31, 2023, the unit-based compensation expense was \$288 (2022 – \$527) and was comprised of RU grants, net of RU forfeitures during the period.

The following table provides the details of RU grants up to March 31, 2023:

	Restricted Units
<b>Balance – January 1, 2022</b>	<b>441,769 Units</b>
Distribution equivalent Units granted <sup>(i)</sup>	4,824 Units
Vesting of Restricted Units	(35,228) Units
Forfeiture of Restricted Units	(2,514) Units
<b>Balance – March 31, 2022</b>	<b>408,851 Units</b>
Restricted Units granted:	
Granted on June 10, 2022 <sup>(ii)</sup>	41,028 Units
Granted on September 10, 2022 <sup>(ii)</sup>	60,000 Units
Granted on November 22, 2022 <sup>(iii)</sup>	62,500 Units
Granted on November 22, 2022 <sup>(iv)</sup>	22,500 Units
Distribution equivalent Units granted <sup>(i)</sup>	13,947 Units
Vesting of Restricted Units	(102,657) Units
Forfeiture of Restricted Units	(113,575) Units
<b>Balance – December 31, 2022</b>	<b>392,594 Units</b>
Distribution equivalent Units granted <sup>(i)</sup>	5,063 Units
Vesting of Restricted Units	(21,108) Units
Forfeiture of Restricted Units	(212) Units
<b>Balance – March 31, 2023</b>	<b>376,337 Units</b>

(i) 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.

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

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

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

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

		As at March 31, 2023	As at December 31, 2022
Current portion of unit-based compensation liability	\$	582	\$ 509
Long-term portion of unit-based compensation liability		371	269
<b>Total unit-based compensation liability</b>	<b>\$</b>	<b>953</b>	<b>\$ 778</b>

In April 2023, the Trust issued an additional 8,727 Units in connection with the vesting of RUs, which were granted on October 8, 2021 and the related distribution equivalent Units.

No Options or Preferred Units ("PU") were granted as at March 31, 2023 and December 31, 2022. Certain members of the board of trustees elected to be compensated fully or partially in Deferred Units ("DU"), 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 \$981 for the three months ended March 31, 2023 (2022 – \$876).

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 March 31, 2023	Three months ended March 31, 2022
Board of trustees fees	\$	128	\$ 116
Professional fees		538	552
Amortization of other current assets		143	—
Other expenses		271	230
<b>Total other operating expenses</b>	<b>\$</b>	<b>1,080</b>	<b>\$ 898</b>

### 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 months ended March 31, 2023, the Trust granted 17,490 (2022 – 11,089) DUs in lieu of cash compensation to trustees and 946 (2022 – 132) distribution equivalent Units in relation to the quarterly distributions. Board compensation expense for the three months ended March 31, 2023 included \$82 (2022 – \$70) related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was \$377 (December 31, 2022 – \$296) and was included in other non-current liabilities.

### Professional fees

For the three months ended March 31, 2023, the Trust recorded total professional fees of \$538 (2022 – \$552) 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 to increase the annual net sales cap for Empaveli/Syfovre on which the Trust will be entitled to royalty payments from \$500,000 to \$1,100,000, for \$500. The option is exercisable at the discretion of the Trust before June 1, 2023. The Trust recorded the option as an other current asset initially at cost and is amortizing 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. The Trust also assesses, at the end of each reporting period, whether there are indications that the option may be impaired. If any such indications exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. As at March 31, 2023, the option has a net book value of \$97 (December 31, 2022 – \$240) and the Trust has assessed that there are no indications that the option may be impaired.

For the three months ended March 31, 2023, the Trust recorded amortization related to the option of \$143 (2022 – nil).

## NOTE 13 | FINANCIAL INSTRUMENTS

The financial assets and liabilities held by the Trust, as at March 31, 2023, were as follows:

	FVTPL – Recognized	Amortized Cost	Total
<b>Financial Assets</b>			
Cash and cash equivalents	\$ 10,454	\$ —	\$ 10,454
Royalties receivable	—	30,774	30,774
Loan receivable	—	49,971	49,971
	\$ 10,454	\$ 80,745	\$ 91,199
<b>Financial Liabilities</b>			
Accounts payable and accrued liabilities	\$ —	\$ 3,579	\$ 3,579
Distributions payable to Unitholders	—	2,811	2,811
Current portion of credit facility	—	30,220	30,220
Other current liabilities	—	616	616
Credit facility <sup>(i)</sup>	—	197,332	197,332
Preferred Securities <sup>(i)</sup>	—	93,244	93,244
	\$ —	\$ 327,802	\$ 327,802

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

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

	FVTPL – Recognized	Amortized Cost	Total
<b>Financial Assets</b>			
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
<b>Financial Liabilities</b>			
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 <sup>(i)</sup>	—	212,358	212,358
	\$ —	\$ 261,945	\$ 261,945

(i) Credit facility is shown before the deduction of deferred transaction costs, net of amortization, as discussed 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 three months ended March 31, 2023 (2022 – nil).

As at March 31, 2023 and 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 March 31, 2023, the Trust's capital was \$694,935 (December 31, 2022 – \$620,506) and consisted of its Unitholders' capital of \$371,910 (December 31, 2022 – \$373,577), Preferred Securities of \$93,244 (December 31, 2022 – nil), Warrants of \$2,229 (December 31, 2022 – nil) and amounts available for borrowing under its amended credit facility of \$227,552 (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 and \$19,760 principal amount of Series B Preferred Securities, further increasing the Trust's capital.

Additionally, as described in note 7, the Trust further 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. There have been no other changes in the composition of the Trust's capital or its capital management policies during the three months ended March 31, 2023 compared to prior periods.

As at March 31, 2023 and December 31, 2022, the Trust was in compliance with all externally imposed capital requirements.

## NOTE 16 | COMMITMENTS

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of Vonjo, as described in note 4. In accordance with the terms of the royalty agreement, CTI may be entitled to additional consideration of \$18,500 in the event that Vonjo sales exceed Net Sales Threshold II, as described in note 4.

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 Xenpozyme 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 Xenpozyme sales exceed certain thresholds within a predefined period of time.

On March 8, 2023, the Trust entered into the Tzield transaction, as described in note 4. In accordance with the terms of the royalty agreement, upon the occurrence of certain pre-specified events that may occur between mid-2023 and 2028 tied to the successful advancement of Tzield for the treatment of newly diagnosed or recent-onset type 1 diabetes, the Trust will pay the royalty seller an additional milestone payment of up to \$50,000. A second milestone payment of \$50,000 may be paid in the event Tzield sales exceed certain thresholds. Pursuant to the Trust's agreement with a subsidiary of Sanofi to sell its royalty interest in Tzield, as described in note 4, as of April 27, 2023, the Trust is no longer obligated to pay any amounts owing in respect of Tzield.

## NOTE 17 | RELATED-PARTY TRANSACTIONS

### *Transactions with our manager*

DRI Healthcare is under common control with the Trust.

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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Management fee expense	\$ 1,676	\$ 1,437
	As at March 31, 2023	As at December 31, 2022
Accounts payable and accrued liabilities	\$ 333	\$ —

The Trust did not incur any performance fees for the three months ended March 31, 2023 (2022 – nil).

The Trust has a balance of \$333 payable to DRI Healthcare, \$288 of which relates to management fees payable for the three months ended March 31, 2023 and \$45 of which relates to expenses paid by DRI Healthcare on behalf of the Trust.

*Key management compensation*

During the three months ended March 31, 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. To date, the Trust has issued 5,960 Units on the vesting of these RUs, of which 2,584 were issued in 2021 and 3,376 were issued in 2022. During the three months ended March 31, 2023, the Trust recorded unit-based compensation expense of \$6 (2022 – \$24) related to this RU issuance and the accretion of the related distribution equivalent Units.

**NOTE 18 | SUBSEQUENT EVENTS***NCIB repurchases*

On March 30, 2023, the Trust acquired 6,000 Units under its NCIB at a price of \$5.49, totaling \$33, which settled on April 3, 2023. During the period from March 31, 2023 to May 11, 2023, the Trust acquired 200 Units at an average price of \$5.48, totaling \$1 under its AUPP, as described in note 8.

*Vesting of Restricted Units*

On April 3, 2023, the Trust issued an additional 8,727 Units in connection with the vesting of RUs which were granted on October 8, 2021 and the related distribution equivalent Units.

*Additional Empaveli/Syfovre royalty stream*

On April 3, 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre for \$3,700, as described in note 4. The transaction was funded through drawings from the Trust's credit facility, as described in note 7.

*Sale of Tzield royalty*

On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for \$210,000, as described in note 4. Subject to the terms of the agreement, the Trust has 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 will use \$20,000 of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023. An additional portion of the proceeds was used to pay down the entire balance outstanding under the Trust's revolving acquisition credit facility on May 2, 2023, leaving the total available credit under the amended credit facility as \$250,000.

*2023 second quarter distributions declared*

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 and payable on July 20, 2023.

On May 11, 2023, the board of trustees declared a quarterly distribution of \$0.0750 per Unit to Unitholders of record as at June 30, 2023 and payable on July 20, 2023.

*Credit facility voluntary repayment*

On May 2, 2023, the Trust made an additional principal repayment of its amended credit facility totaling \$146,267, as described in note 7.

## 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*

DRI Healthcare Trust

100 King Street West, Suite 7250

Toronto, Ontario M5X 1B1

[ir@drihealthcare.com](mailto:ir@drihealthcare.com)

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

### *Website*

[www.drihealthcare.com](http://www.drihealthcare.com)

### *Auditor*

Deloitte LLP, Chartered Professional Accountants

Licensed Public Accountants

8 Adelaide Street West, Suite 200

Toronto, Ontario M5H 0A9