DRI HEALTHCARE

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

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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, 2023 (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, 2022 (the "**2022 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 11, 2023.

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 licence 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 13 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 Earnings Before Interest, Taxes, Depreciation, and Amortization ("**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 First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

In December 2022, our manager, DRI Capital Inc., changed its brand name to DRI Healthcare in order to be better aligned with the Trust. Our manager's legal entity name was not changed. All references in this MD&A to "**DRI Healthcare**", "**our manager**" or the "**manager**" are to DRI Capital Inc. DRI Healthcare provides management and other services to us, and also provides the services of certain employees of DRI Healthcare 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 ("**TSX**") in Canadian dollars under the symbol "**DHT.UN**" and in U.S. dollars under the symbol "**DHT.U**".

BUSINESS AND STRATEGY OVERVIEW

Business Overview

We excel at sourcing, evaluating and completing acquisitions of royalties paid on the worldwide sales of leading therapeutics. We do this by leveraging our 20-year track record of disciplined capital deployment, the skills and competencies of our exceptional team, and our proprietary sourcing and diligence systems. We accelerate therapeutic innovation by providing capital to customers that include leading inventors working at top universities and research institutions, academic institutions, biotech companies and large pharmaceutical companies. We provide our Unitholders with exposure to a broadly diversified portfolio of therapeutics that we expect will grow significantly in the medium and 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.

Even though we have been public for a little more than two years, our manager, DRI Healthcare, has been at the forefront of our business since 1989. Over the past 16 years, the Trust or its predecessor funds have purchased 70 royalty streams on 47 products for more than $2.5 billion.

As at March 31, 2023, our portfolio consisted of 23 royalty streams on 20 products that treat diseases in oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, as well as lysosomal storage disorders ("**LSD**"), autoimmune diseases and influenza. Our products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, AstraZeneca, Biogen, CTI BioPharma ("**CTI**"), GSK, Galderma, Johnson & Johnson, Novartis, Rayner Surgical, Regeneron, Roche and Sanofi S.A. ("**Sanofi**"). In addition to our royalty transactions, we also provided a secured loan to CTI as part of the transaction to acquire a royalty on Vonjo. Many of the royalty streams in our portfolio provide us with entitlements on products that we believe represent focus areas and important revenue sources for their respective marketers.

Unique Growth Strategy

Our growth strategy is focused on providing our Unitholders with top-line exposure to a portfolio of attractive therapeutics by purchasing royalties on growing products that meet our investment criteria. We target an underserved niche that leverages the competitive advantages that DRI Healthcare has developed over the last 34 years. These include the specialized expertise of our team members, our unparalleled access to data and information through our proprietary tools and know-how, and our leadership and reputation in the industry.

As one of the most experienced players in our industry, we believe we have developed a number of advantages that are hard to replicate. One of these advantages is our one-of-a-kind database that we use to source transactions. This database now tracks over 6,500 royalties on over 2,000 drugs worldwide. Another advantage is the deep relationships we have developed in our industry. We target transactions that we believe are out of the scope of other royalty buyers because they are either too small, too complicated, or simply hard to find.

Our target is to complete between $850 million and $900 million in transactions between the time of our initial public offering on February 19, 2021 and December 31, 2025. This will allow us to generate sustainable annual growth in cash receipts. We have increased this target from the previous range of $650 million to $750 million that we established at the time of our initial public offering. We expect to fund these acquisitions using our cash and cash flows as well as with the prudent use of leverage. Since our initial public offering through March 31, 2023, we have deployed $481.5 million in seven transactions to acquire royalties on nine products and to provide the secured loan with CTI. In connection with these transactions, there is potential further deployment of up to $176.0 million in options and milestone obligations.

Our Assets

The Trust's assets currently comprise royalties on products that address a variety of therapeutic areas, such as oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, LSD and autoimmune diseases. These products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, AstraZeneca, Biogen, CTI, GSK, Galderma, Johnson & Johnson, Novartis, Rayner Surgical, Regeneron, Roche and Sanofi. In addition, the Trust has provided a secured loan to CTI as part of the transaction to acquire a royalty on Vonjo, an oncology product.

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 in new markets, the competitive landscape for the product and the approval of a product for new uses.

The table below provides an overview of our royalty assets as at March 31, 2023, and outlines expected royalty expirations based on our 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)
Empaveli/Syfovre(ii)	Hematology/Ophthalmology	Apellis, Swedish Orphan Biovitrum	May 2021	Q1 2034
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
FluMist	Influenza	AstraZeneca	June 2003	Q4 2023
Ilaris(iii)	Autoimmune Diseases	Novartis	June 2009	Q1 2025
Natpara	Endocrinology	Takeda	January 2015	Q3 2025
Omidria	Ophthalmology	Rayner Surgical	May 2014	Q4 2030
Oracea	Dermatology	Galderma	May 2006	Q1 2028
Rydapt	Oncology	Novartis	April 2017	Q1 2028
Simponi(iii)	Autoimmune Diseases	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Spinraza	Neurology	Biogen	December 2016	Q3 2031
Stelara(iii)	Autoimmune Diseases	Johnson & Johnson, Mitsubishi Tanabe	September 2009	Q2 2024
Tzield(iv)	Autoimmune Diseases	Provention, Sanofi	November 2022	Q1 2035
Vonjo	Oncology	CTI	February 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	August 2022	Q4 2036
Xolair	Respiratory	Roche, Novartis	June 2003	Q2 2032
Zejula	Oncology	GSK	April 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	September 2011(v)	Q2 2028

(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 on page 7 of this MD&A.
(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 on page 6 of this MD&A.
(v) Represents the European Commission approval date.

Key Developments Related to our Assets

Natpara

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 its recall in the United States, Takeda Pharmaceutical Company Ltd. ("**Takeda**"), the marketer of Natpara, 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.

On October 4, 2022, 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. Takeda will provide updates before the manufacturing end date and ahead of any potential supply interruptions.

Since the announcement by Takeda, we have been reviewing and assessing various options to maximize the value of our remaining royalties. Based on our review performed to date, we have not recognized an impairment in the net book value of Natpara as at March 31, 2023. 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 asset. We continue to earn royalty income on European and rest of the world sales and we expect that this will continue past Takeda's planned end of manufacturing at the end of 2024 to account for residual inventory depletion.

Empaveli/Syfovre

On February 17, 2023, the FDA approved Syfovre (pegcetacoplan) as the first and only treatment for geographic atrophy secondary to age-related macular degeneration. In accordance with the terms of the Empaveli royalty agreement, we are entitled to royalties on the net sales of all formulations of pegcetacoplan. Accordingly, our royalty entitlement on Syfovre is consistent with that of Empaveli, as described on page 7 of this MD&A. Pegcetacoplan is also in development for additional pipeline indications including cold agglutinin disease and C3 glomerulopathy.

Loan Receivable from CTI

On May 10, 2023, CTI announced that it entered into an agreement with Swedish Orphan Biovitrum AB ("**SOBI**") to acquire all the outstanding common shares of CTI. The acquisition is subject to certain conditions, including the tender of a majority of the CTI common shares and other regulatory conditions. If such conditions are met, the transaction is expected to close in the third quarter of 2023. Upon closing, CTI and SOBI have agreed that the secured loan we made to CTI will be repaid in full, subject to the terms of our credit agreement with CTI. We are monitoring this development for any additional impacts to the Trust.

Other Key Events

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

On September 30, 2021, we were 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**"). On March 8, 2022, we were granted approval by the TSX to amend our 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, we were 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, we 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 during the period from March 31, 2023 to May 12, 2023, provided that the combined repurchases under the plan do not exceed C$0.7 million ($0.5 million).

During the three months ended March 31, 2023, we acquired and cancelled 319,453 Units at an average price of $5.43, totaling $1.7 million. As at March 31, 2023, in aggregate, we had acquired and cancelled 2,750,963 Units at an average price per Unit of $5.26, totaling $14.5 million under the NCIB plan. On March 30, 2023, we acquired 6,000 Units at a price of $5.49, totaling $0.03 million, which settled on April 3, 2023. During the period from March 31, 2023 to May 11, 2023, we acquired 200 Units at an average price of $5.48, totaling $0.001 million under our AUPP. Our NCIB plan is discussed further on page 21 of this MD&A.

Credit Facility

On October 22, 2021, we entered into a credit agreement (the "**credit agreement**") for credit facilities comprised of (i) a $175 million senior secured revolving acquisition credit facility ("**acquisition credit facility**") with the initial amounts drawn used to repay the previously outstanding secured notes and the remaining capacity to be used for financing future transactions; and (ii) a $25 million 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 transactions.The unused portion of the credit facility is subject to standby fees of 0.40% to 0.50% based on our leverage ratio.

On April 20, 2022, the we 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 million 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 the London Interbank Offered Rate ("**LIBOR**") plus a margin which may vary from 2.00% to 2.50% based on our leverage ratio to the Secured Overnight Financing Rate ("**SOFR**") plus (i) a margin which may vary from 2.00% to 2.50% based on our leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing.

On March 30, 2023, we further amended our amended credit agreement that revised the total credit available to $225 million under the acquisition credit facility and $88.8 million under the term credit facility, and certain financial covenants were adjusted to provide greater flexibility (the "**amended credit facility**"). The interest rate was also revised to SOFR plus (i) a margin which may vary from 2.00% to 2.75% based on our 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 our leverage ratio.

The maturity date of the 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 remained unchanged. The credit facility is discussed in further detail on page 18 of this MD&A.

Preferred Securities

On February 8, 2023, we 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 our amended credit facility. The Private Placement provided gross proceeds of $95 million to the Trust through the sale of $95 million principal amount of Series A Preferred Securities, $19.8 million principal amount of Series B Preferred Securities (collectively, the "**Preferred Securities**") and the issuance of 6,369,180 warrants (the "**Warrants**"), as described below. The Preferred Securities are our unsecured, subordinated debt securities. 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 Preferred Securities are discussed in further detail on page 19 of this MD&A.

Warrants

In connection with the February 2023 Private Placement described above, we 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 discussed in further detail on page 22 of this MD&A.

Distributions

During the three months ended March 31, 2023, our board of trustees declared a quarterly cash distribution of $0.075 per Unit totaling $2.8 million, to Unitholders of record as at March 31, 2023, which was paid on April 20, 2023. Additionally, on January 20, 2023, we paid $2.8 million of distributions declared in 2022.

We pay quarterly distributions in accordance with our distribution policy. Distributions are discussed in further detail in note 8 to the consolidated financial statements.

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

Transactions Completed in 2023

Tzield Transaction

On March 8, 2023, we bought royalties on the sales of Tzield (teplizumab-mzwv) for $100 million. The transaction was funded on March 14, 2023 and entitles us to a single-digit royalty on the worldwide net sales of Tzield. We are entitled to receive quarterly royalty payments in respect to net sales commencing January 1, 2023 to be paid on a one-quarter lag. Tzield is protected by patent and regulatory exclusivities for 12 years from its first commercial sale. We recognized acquired royalties receivable of $0.1 million related to our royalty entitlement from January 1, 2023 to March 8, 2023, the date of the royalty transaction. Transaction costs of $0.7 million 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, we will pay the royalty seller an additional milestone payment of up to $50 million. A second milestone payment of $50 million 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 FDA in November 2022. Tzield is currently the only approved preventative treatment indicated for stage 2 type 1 diabetes patients and is marketed by Provention Bio, Inc. and Sanofi through a co-promotion agreement. Tzield is also being investigated in a phase III study for the treatment of newly diagnosed stage 3 type 1 diabetes patients.

Subsequent to March 31, 2023, on April 27, 2023, we sold our royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for $210 million. Subject to the terms of the agreement, we have assigned to Sanofi our obligation to pay up to $100 million in milestone payments to the extent the pre-specified events and thresholds are met. We will use $20 million of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023, as described on page 22 of this MD&A. An additional portion of the proceeds was used to pay down the entire balance outstanding under our revolving acquisition credit facility on May 2, 2023, as described on page 19 of this MD&A, leaving significant cash and credit available to invest in our pipeline of royalty opportunities.

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, we bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for $3.7 million. The transaction was completed on April 3, 2023. The transaction entitles us to an additional fractional percentage of worldwide net sales of pegcetacoplan.

Transactions Completed in 2022

Vonjo Transaction

On August 25, 2021, concurrent with the agreement to provide a $50 million secured loan to CTI, as described on page 17 of this MD&A, we entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the FDA, for $60 million.

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 million, which occurred on March 7, 2022. Transaction costs of $0.6 million 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 $6.5 million in the event that Vonjo sales exceed certain thresholds on or before March 31, 2023 ("**Net Sales Threshold I**") and an additional $18.5 million 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, we recognized a royalty asset of $6.5 million and funded the milestone payment on January 25, 2023.

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

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

Empaveli Transaction

On July 20, 2022, we bought royalties on the sales of Empaveli (pegcetacoplan) for $24.5 million. The transaction entitles us to a less than one percent royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of $500 million in each calendar year. We will not be entitled to any royalty above the cap. As part of the transaction, we have an option to increase the annual sales cap to $1.1 billion in exchange for a one-time payment of $21 million. We have until June 2023 to exercise this option. We are 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. We received our first payment in the fourth quarter of 2022. Our royalty entitlement will step down on 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.

We recognized royalty assets of $23.6 million related to Empaveli and other current assets of $0.5 million related to the option to increase the annual sales cap. We record 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. We have recognized acquired royalties receivable of $0.4 million related to our royalty entitlement accrued from January 1, 2022 to July 20, 2022, the date of the royalty transaction. Transaction costs of $0.8 million 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.

Zejula Transaction

On September 9, 2022, we bought royalties on the sales of Zejula for $35 million. The transaction entitles us to a net 0.5% royalty on worldwide net sales of Zejula by GSK plc. We are 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 $0.6 million are related to our royalty entitlement from July 1, 2022 to September 9, 2022, the date of the royalty transaction. Transaction costs of $0.6 million were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, we are committed to making a milestone payment of $10 million 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. Additional indications in development include endometrial cancer, HER2-negative breast cancer, non-small cell lung cancer, metastatic castrate-sensitive prostate cancer, as well as metastatic castration-resistant prostate cancer, which was submitted for approval to the EMA in April 2022.

Omidria Transaction

On September 30, 2022, we bought royalties on the sales of Omidria for $125 million. In accordance with the terms of the royalty agreement, we are 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:

$ Thousands		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

We recognized acquired royalties receivable of $0.4 million related to our royalty entitlement accrued from September 1, 2022 to September 30, 2022, the date of the royalty transaction. Transaction costs of $1.1 million 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.

Xenpozyme

On November 25, 2022, we bought royalties on the sales of Xenpozyme for $30 million. The transaction entitles us to royalties equal to approximately one percent of worldwide net sales of Xenpozyme. We are 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, we expect to receive its royalty payment in the fourth quarter of that year. For sales made in the third and fourth quarters of the year, we expect to receive its royalty payment in the second quarter of the following year. Transaction costs of $1.5 million 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 $26.5 million in the event that cumulative royalties received by us on Xenpozyme sales exceed certain thresholds within a predefined period of time.

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

Xenpozyme is the only product developed and 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. ASMD is an extremely rare, progressive genetic disease with significant morbidity and mortality, especially among infants and children. Signs and symptoms of ASMD may include enlarged spleen or liver, difficulty breathing, lung infections and unusual bruising or bleeding, among other disease manifestations. Current management of the disease includes palliative and supportive care to manage the symptoms. 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
Assets						
Royalties receivable	$ —	$ 354	$ 594	$ 418	$ —	$ 1,366
Other current assets	—	500	—	—	—	500
Royalty assets	66,500	23,646	34,406	124,582	30,000	279,134
Net acquired assets	$ 66,500	$ 24,500	$ 35,000	$ 125,000	$ 30,000	$ 281,000

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the three months ended March 31, 2023, the Trust generated total income of $28,236 (2022 – $22,625) and incurred total expenses of $29,359 (2022 – $16,931).

The following table presents the components of net earnings (loss) and comprehensive earnings (loss) and is followed by a discussion on the nature of significant sources of income and categories of expenses.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Income		
Royalty income	$ 26,292	$ 21,301
Interest income on loan receivable	1,707	1,324
Other interest income	237	—
Total income	28,236	22,625
Expenses		
Amortization of royalty assets	19,168	12,775
Management fees	1,676	1,437
Interest expense	6,166	418
Deal investigation and research expenses	981	876
Unit-based compensation	288	527
Other operating expenses	1,080	898
Total expenses	29,359	16,931
Net earnings (loss) and comprehensive earnings (loss)	**$ (1,123)**	**$ 5,694**

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, licence 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; rather, 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 for which a report or actual cash royalty receipts have not been received from our counterparty. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned. Royalty income of $26,292 for the three months ended March 31, 2023 (2022 – $21,301) includes $20,093 (2022 – $17,743) related to royalty entitlements which will be received subsequent to March 31, 2023.

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

The following table presents the Trust's royalty income by royalty asset for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022	% Change
Royalty Assets			
Empaveli/Syfovre[(i)]	$ 782	$ —	n/a
Eylea I	1,317	1,485	(11)%
Eylea II	303	1,630	(81)%
FluMist	31	105	(70)%
Natpara	639	707	(10)%
Omidria[(i)]	3,250	—	n/a
Oracea	2,356	1,700	39 %
Rydapt	2,934	3,270	(10)%
Spinraza	3,843	3,693	4 %
Stelara, Simponi and Ilaris[(ii),(iii)]	258	1,074	(76)%
Tzield[(i),(iv)]	35	—	n/a
Vonjo	1,421	88	1515 %
Xenpozyme[(i)]	30	—	n/a
Xolair	2,945	2,800	5 %
Zejula[(i)]	773	—	n/a
Zytiga	4,822	4,415	9 %
Other Products[(v)]	553	334	66 %
Total Royalty Income	**$ 26,292**	**$ 21,301**	23 %

(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 on page 6 of this MD&A.
(ii) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The three 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 on page 6 of this MD&A.
(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 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. Royalty income for the three months ended March 31, 2023 was $26,292 (2022 – $21,301). The increase in royalty income was primarily due to (i) royalty income earned related to Empaveli/ Syfovre, Omidria, Tzield, Xenpozyme and Zejula, which were added to the portfolio subsequent to March 31, 2022, as described on page 6 of this MD&A; (ii) stronger market demand for Oracea compared to the same period in 2022; and (iii) royalties from Vonjo for the full quarter in 2023 compared to only one month in 2022 after the drug was approved by the FDA on February 28, 2022, combined with strong sales of Vonjo. The increase in royalty income was partially offset by (i) the contractual step-down in royalty rate for Eylea II starting in the first quarter of 2023; (ii) the decline in the sales of FluMist due to decreased vaccination programs in the United States and the EU due to the stabilization of the COVID-19 pandemic; (iii) the expiry of the royalty entitlements in certain geographic areas for Rydapt; and (iv) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris.

Royalty assets added to the portfolio subsequent to March 31, 2022 contributed $4,870 in royalty income for the three months ended March 31, 2023.

Interest income on loan receivable

Interest income is primarily comprised of interest earned on the loan receivable from CTI, as described on page 17 of this MD&A. Interest income 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 principal loan receivable	$ 1,633	$ 1,250
Amortization of commitment fee	25	25
Accretion of exit fee receivable	49	49
Interest income on loan receivable	**$ 1,707**	**$ 1,324**

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

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 2022 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, 2023, the Trust recorded amortization of royalty assets of $19,168 (2022 – $12,775).

The increase in amortization expense during the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to the additional amortization recorded during the current period related to the assets acquired subsequent to March 31, 2022, as described on page 6 of this MD&A.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 23 of this MD&A. The Trust recorded management fees of $1,676 during the three months ended March 31, 2023 (2022 – $1,437).

The increase in management fees for the three months ended March 31, 2023 compared to the same period in 2022 is due to the increase in cash receipts from our royalty portfolio for the three months ended March 31, 2023 compared to the same period in 2022, as described on page 13 of this MD&A.

Interest expense

On October 22, 2021, the Trust entered into a credit agreement, as described on page 18 of this MD&A. On February 8, 2023, the Trust issued Preferred Securities in connection with the Private Placement described on page 19 of this MD&A, resulting in gross proceeds of $95,000.

Interest expense for the three months ended March 31, 2023 and 2022 is presented below. The increase in interest expense during the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to (i) additional long-term debt the Trust has taken on subsequent to March 31, 2022 to fund transactions, as described on page 6 of this MD&A; and (ii) the additional interest expense accrued during the quarter related to the Preferred Securities issued on February 8, 2023, as described on page 19 of this MD&A. The Trust's long-term debt is discussed further on page 18 of this MD&A.

		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
Total interest expense on credit facilities	$	4,465	$	418
Interest on Preferred Securities	$	1,151		—
Accretion of par value		473		—
Amortization of deferred transaction costs		77		—
Total interest expense on Preferred Securities	$	1,701	$	—
Total interest expense	**$**	**6,166**	**$**	**418**

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. For the three months ended March 31, 2023, the Trust recorded deal investigation and research expenses of $981 (2022 – $876).

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 Omnibus Equity Incentive Plan, as described in note 2(o) of the Trust's 2022 annual consolidated financial statements.

For the three months ended March 31, 2023, the unit-based compensation expense was $288 (2022 – $527) and was comprised of Restricted Unit ("**RU**") grants, net of RU forfeitures during the period. As at March 31, 2023, the unit-based compensation liability was $953 (December 31, 2022 – $778), comprised of a current portion of $582 (December 31, 2022 – $509) and a long-term portion of $371 (December 31, 2022 – $269), related to the outstanding awards.

During the three months ended March 31, 2023, the board of trustees granted no additional RUs (2022 – nil) and 5,063 distribution equivalent Units (2022 – 4,824). During the three months ended March 31, 2023, 21,108 Units vested in the normal course (2022 – 35,228) and 212 Units were forfeited (2022 – 2,514), resulting in 376,337 total RUs outstanding as at March 31, 2023 (2022 – 408,851).

No Options or Performance Units ("**PUs**") 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 ("**DUs**"), as described in other operating expenses below.

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

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, 2023, the Trust recorded total operating expenses of $1,080 (2022 – $898).

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
Total other operating expenses	**$ 1,080**	$ 898

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 board of trustees 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. The decrease was primarily due to lower consulting fees in 2023, partially offset by higher fees for audit, review and internal controls services, and legal fees in 2023.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre transaction, as described on page 7 of this MD&A, 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).

Weighted average number of Units

For the three months ended March 31, 2023, the Trust generated basic and fully diluted net earnings (loss) and comprehensive earnings (loss) per Unit of $(0.03) (2022 – $0.15). The weighted average number of Units outstanding for the purpose of calculating 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

(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, the distributions per Unit, and the weighted average number of Units outstanding:

	2023	2022				2021			
As at	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Total assets	**$ 692,331**	$ 633,419	$ 614,042	$ 450,167	$ 453,773	$ 436,695	$ 445,129	$ 450,962	$ 454,905
Credit facility and Preferred Securities(i)	**290,576**	212,358	186,858	50,858	54,881	40,205	26,945	32,807	36,934
Three months ended	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Total income	**$ 28,236**	$ 22,642	$ 26,471	$ 21,296	$ 22,625	$ 22,214	$ 23,409	$ 23,451	$ 12,691
Total expenses	**(29,359)**	(27,449)	(18,857)	(18,199)	(16,931)	(18,852)	(15,774)	(16,076)	(9,500)
Net earnings (loss) and comprehensive earnings (loss)	**$ (1,123)**	$ (4,807)	$ 7,614	$ 3,097	$ 5,694	$ 3,362	$ 7,635	$ 7,375	$ 3,191
Net earnings (loss) per Unit									
Basic	**$ (0.03)**	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08	$ 0.19	$ 0.18	$ 0.17
Diluted	**$ (0.03)**	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08	$ 0.19	$ 0.18	$ 0.17
Distributions per Unit(ii)									
Cash	**$0.075**	$0.0750	$0.0750	$0.0750	$0.0750	$0.2950	$0.0375	$0.0375	$0.0167
Unit(iii)	**n/a**	$0.1655	n/a	n/a	n/a	$0.0360	n/a	n/a	n/a
Weighted average number of Units									
Basic	**37,753,194**	38,231,059	38,657,266	38,654,707	38,743,644	39,802,522	40,107,407	40,107,407	18,271,153
Diluted	**37,821,801**	38,270,508	38,694,492	38,666,241	38,743,769	39,810,526	40,107,407	40,107,407	18,271,153

(i) Credit facility and Preferred Securities are shown before the deduction of deferred transaction costs, net of amortization, as discussed on page 18 of this MD&A.
(ii) Represents distributions declared during the period.
(iii) 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. On December 22, 2021, the board of trustees declared a special Unit distribution of $0.035979841 per Unit, totaling $1,406 to Unitholders of record as at December 31, 2021, which was issued on December 31, 2021. Immediately following the special Unit distributions, 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.

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

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 Total Cash Royalty Receipts plus cash receipts from all products (including cash receipts from interest and principal payments related to our loan receivable). Total Cash Royalty Receipts refers to aggregate cash royalty receipts from our portfolio of royalty assets 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.

	Cash Receipts		
	Three months ended March 31, 2023	Three months ended March 31, 2022	% Change
Royalty Assets			
Empaveli/Syfovre	$ 187	$ —	n/a
Eylea I	1,374	1,418	(3)%
Eylea II	1,124	1,528	(26)%
FluMist	1,445	2,218	(35)%
Natpara	611	673	(9)%
Omidria	3,250	—	n/a
Oracea	2,021	1,749	16 %
Rydapt	2,803	2,963	(5)%
Spinraza	4,106	4,278	(4)%
Stelara, Simponi and Ilaris(i),(ii)	451	1,810	(75)%
Tzield(iii)	—	—	n/a
Vonjo	2,024	—	n/a
Xenpozyme(iv)	—	—	n/a
Xolair	2,538	2,641	(4)%
Zejula	742	—	n/a
Zytiga(v)	—	—	n/a
Other Products(vi)	682	424	61 %
Total Cash Royalty Receipts(viii)	**$ 23,358**	**$ 19,702**	**19 %**
Interest Receipts from Loan Receivable(vii)	1,633	1,250	31 %
Total Cash Receipts(viii)	**$ 24,991**	**$ 20,952**	**19 %**

(i) 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.
(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 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.
(iii) The Trust completed a transaction in respect of Tzield during the first quarter of 2023. In accordance with the terms of the royalty agreements, cash royalty receipts are collected on a one-quarter lag. Subsequent to March 31, 2023, on April 27, 2023, the Trust sold the Tzield royalty, as described on page 6 of this MD&A.
(iv) The Trust completed a transaction in respect of Xenpozyme during the fourth quarter of 2022. In accordance with the terms of the royalty agreements, cash royalty receipts are collected on a two-quarter lag from the respective half-year period.
(v) Cash royalties from Zytiga are received on a semi-annual basis during the second and fourth quarters of the year.
(vi) 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.
(vii) Interest receipts from loan receivable relates to the CTI loan, as described on page 17 of this MD&A. Interest is collected on a quarterly basis.
(viii) Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.

Total Cash Receipts during the three months ended March 31, 2023 were $24,991, representing an increase of $4,039 or 19% compared to the same period in 2022. The Trust recorded royalty income and interest income on the loan receivable of $27,999 during the three months ended March 31, 2023 (2022 – $22,625).

Total Cash Royalty Receipts during the three months ended March 31, 2023 increased by $3,656 or 19% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by the inclusion of royalties for Empaveli/Syfovre, Omidria and Zejula, which were added to the portfolio subsequent to March 31, 2022 and contributed $4,179 during the current quarter, and the inclusion of royalties for Vonjo of $2,024, which was added to the portfolio during Q1 2022. The increase in cash royalty receipts 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 in the first quarter of 2022; (ii) a decrease in royalty entitlement rates for Eylea II, as the royalty stream reached a contractual step-down in royalty rates as expected in the first quarter of 2023; (iii) the decline in sales of FluMist due to decreased vaccination programs in the United States and the EU due to the stabilization of the COVID-19 pandemic; and (iv) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris.

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

Cash interest receipts from the loan receivable were $1,633 for the three months ended March 31, 2023 and represent interest payments received on the loan to CTI during the quarter, as described on page 17 of this MD&A. Cash interest receipts increased by $383 or 31% compared to the same period in 2022 due to an increase in LIBOR-based interest rates.

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. The Trust reconciles Total Cash Receipts and Total Cash Royalty Receipts to total income. Total income represents the sum of royalty income, interest income on the loan receivable and other interest income. This results in the subtraction of non-cash interest income on the loan receivable when reconciling to Total Cash Receipts. When reconciling to Total Cash Royalty Receipts, there is a corresponding subtraction to interest income on the loan receivable and an addition of non-cash interest income on the 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. For purposes of complying with equal prominence requirements of applicable securities laws relating to non-GAAP financial measures, the Trust refers to royalty income plus interest income on the loan receivable when referring to Total Cash Receipts and Total Cash Royalty Receipts.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Total income	$ 28,236	$ 22,625
[-] Other interest income	(237)	—
[+] Royalties receivable, beginning of period	27,748	30,148
[-] Royalties receivable, end of period	(30,774)	(31,590)
[+] Acquired royalties receivable(i)	96	—
[-] Non-cash royalty income(ii)	(4)	(157)
[-] Non-cash interest income on loan receivable(iii)	(74)	(74)
[=] Total Cash Receipts	**$ 24,991**	**$ 20,952**
[-] Interest income on loan receivable	(1,707)	(1,324)
[+] Non-cash interest income on loan receivable(iii)	74	74
[=] Total Cash Royalty Receipts	**$ 23,358**	**$ 19,702**

(i) Acquired royalties receivable represent the Trust's royalty entitlements prior to the completion of the royalty transactions they relate to, as described on page 6 of this MD&A.
(ii) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months ended March 31, 2022 of $157 was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at March 31, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of $4 (2022 – nil) was used to reduce the obligation during the three months ended March 31, 2023. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(iii) For the three months ended March 31, 2023, non-cash interest income on loan receivable represents the amortization of commitment fees of $25 (2022 – $25) and the accretion of exit fees receivable of $49 (2022 – $49).

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

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 net earnings and comprehensive earnings. We refer to EBITDA when reconciling our net earnings and 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, 2023	Three months ended March 31, 2022
Net earnings (loss) and comprehensive earnings (loss)	$ (1,123)	$ 5,694
[+] Amortization of royalty assets	19,168	12,775
[+] Amortization of other current assets(i)	143	—
[-] Other interest income	(237)	—
[+] Interest expense	6,166	418
EBITDA	24,117	18,887
[+] Royalties receivable, beginning of period	27,748	30,148
[-] Royalties receivable, end of period	(30,774)	(31,590)
[+] Acquired royalties receivable(ii)	96	—
[+] Unit-based compensation(iii)	243	527
[+] Board of trustees unit-based compensation(iv)	82	70
[-] Non-cash royalty income(v)	(4)	(157)
[-] Non-cash interest income on loan receivable(vi)	(74)	(74)
[=] Adjusted EBITDA	$ 21,434	$ 17,811

(i) In connection with the Empaveli Transaction completed in 2022, the Trust acquired other current assets, as described on page 11 of this MD&A. The related amortization expense is recorded in other operating expenses.
(ii) Acquired royalties receivable represent the Trust's royalty entitlements prior to the completion of the royalty transactions they relate to, as described on page 6 of this MD&A.
(iii) For the three months ended March 31, 2023, unit-based compensation expense was $288 (2022 – $527), of which $45 (2022 – nil) was paid in cash.
(iv) Certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan, as described on page 11 of this MD&A.
(v) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months ended March 31, 2022 of $157 was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at March 31, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of $4 (2022 – nil) was used to reduce the obligation during the three months ended March 31, 2023. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(vi) For the three months ended March 31, 2023, non-cash interest income on loan receivable represents the amortization of commitment fees of $25 (2022 – $25) and the accretion of exit fees receivable of $49 (2022 – $49).

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, 2023	Three months ended March 31, 2022
Adjusted EBITDA	$ 21,434	$ 17,811
[÷] Total Cash Receipts	$ 24,991	$ 20,952
[=] Adjusted EBITDA Margin	86 %	85 %

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

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, 2023	Three months ended March 31, 2022
Net earnings (loss) and comprehensive earnings (loss)	$ (1,123)	$ 5,694
[+] Amortization of royalty assets	19,168	12,775
[+] Amortization of other current assets(i)	143	—
[+] Unit-based compensation(ii)	243	527
[+] Board of trustees unit-based compensation(iii)	82	70
[-] Non-cash royalty income(iv)	(4)	(157)
[-] Non-cash interest income on loan receivable(v)	(74)	(74)
Adjusted Cash Earnings	$ 18,435	$ 18,835
[÷] Weighted average number of Units – basic	37,753,194	38,743,644
[=] Adjusted Cash Earnings per Unit – basic	$ 0.49	$ 0.49
[÷] Weighted average number of Units – diluted	37,821,801	38,743,769
[=] Adjusted Cash Earnings per Unit – diluted	$ 0.49	$ 0.49

(i) In connection with the Empaveli Transaction completed in 2022, the Trust acquired other current assets, as described on page 11 of this MD&A. The related amortization expense is recorded in other operating expenses.
(ii) For the three months ended March 31, 2023, unit-based compensation expense was $288 (2022 – $527), of which $45 (2022 – nil) was paid in cash.
(iii) Certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan, as described on page 11 of this MD&A.
(iv) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months ended March 31, 2022 of $157 was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at March 31, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of $4 (2022 – nil) was used to reduce the obligation during the three months ended March 31, 2023. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(v) For the three months ended March 31, 2023, non-cash interest income on loan receivable represents the amortization of commitment fees of $25 (2022 – $25) and the accretion of exit fees receivable of $49 (2022 – $49).

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

FINANCIAL REVIEW: FINANCIAL POSITION

As at March 31, 2023, the Trust had consolidated assets of $692,331 (December 31, 2022 – $633,419) and consolidated liabilities of $323,916 (December 31, 2022 – $261,078). The following table presents the components of consolidated assets and liabilities as at March 31, 2023 and December 31, 2022, followed by a discussion of significant categories of assets and liabilities.

		As at March 31, 2023		As at December 31, 2022
Assets				
Cash and cash equivalents	$	10,454	$	36,686
Royalties receivable		30,774		27,748
Other current assets		915		469
Current assets		42,143		64,903
Royalty assets, net of accumulated amortization		599,582		518,134
Loan receivable		49,971		49,897
Other non-current assets		635		485
Non-current assets		650,188		568,516
Total assets	$	692,331	$	633,419
Liabilities				
Accounts payable and accrued liabilities	$	3,579	$	5,542
Distributions payable to Unitholders		2,811		2,834
Current portion of credit facility		30,220		34,571
Current portion of unit-based compensation liability		582		509
Other current liabilities		616		6,640
Current liabilities		37,808		50,096
Credit facility		194,962		210,417
Preferred Securities		90,398		—
Unit-based compensation liability		371		269
Other non-current liabilities		377		296
Total liabilities	$	323,916	$	261,078

Royalty assets

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 royalty transactions, as described on page 6 of this MD&A.

Loan receivable

On August 25, 2021, the Trust provided CTI $50,000 in secured debt, the proceeds of which were used by CTI to partially fund the commercialization of Vonjo. Vonjo is used for the treatment of myelofibrosis patients with severe thrombocytopenia. The loan receivable bears interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. 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 SOFR plus an adjustment spread. We are 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.

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

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

Distributions payable to Unitholders

As at March 31, 2023, the Trust had distributions payable of $2,811, representing a quarterly cash distribution declared on March 1, 2023 to Unitholders of record as at March 31, 2023, which was paid on April 20, 2023.

As at December 31, 2022, the Trust had distributions payable of $2,834, representing a quarterly cash distribution declared on November 7, 2022 to Unitholders of record as at December 31, 2022, which was paid on January 20, 2023.

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

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 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 $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).

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
	$338,750	$107,448	$227,552	$246,929
Deferred transaction costs, net of amortization	n/a	n/a	(2,370)	(1,941)
Total	$ 338,750	$ 107,448	$ 225,182	$ 244,988
Current portion of credit facility			30,220	$ 34,571
Long-term portion of credit facility			194,962	210,417
Total			$ 225,182	$ 244,988

The decrease in the carrying amount was attributed to a voluntary principal repayment of $68,155 (2022 – $30,526) made by the Trust during the three months ended March 31, 2023. The Trust used proceeds from the Private Placement to pay down the outstanding credit facilities, as described on page 5 of this MD&A. During the three months ended March 31, 2023, the Trust also made regular principal repayments of $21,222 (2022 – $4,024), for total principal repayments of $89,377 (2022 – $34,550).

The decrease in the carrying amount was partially offset by a drawing made on March 6, 2023 of $70,000 from the acquisition credit facility to partially fund the royalty transaction on Tzield, as described on page 6 of this MD&A. The remaining amount of the transaction was funded by the Trust's existing cash and cash flows.

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

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 on page 6 of this MD&A. 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 on page 6 of this MD&A. As a result, the total available credit under the amended credit facility is $250,000 as at May 11, 2023.

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: 2023	$	20,146
Full year: 2024		50,366
Full year: 2025		40,293
Full year: 2026		116,747
	$	**227,552**

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 that 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 and the issuance Warrants. The proceeds are to be used to finance future transactions or to repay amounts owing under the Trust's amended credit facility. The Warrants are further described on page 22 of this MD&A. 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)**		—
Total	**$**	**90,398**	$	—

(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, 2023 and 2022.

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cash and cash equivalents – beginning of period	**$ 36,686**	$ 61,712
Cash provided by operating activities	**20,011**	15,943
Cash provided by financing activities	**59,054**	11,072
Cash used in investing activities	**(105,297)**	(58,750)
Change in cash and cash equivalents	**(26,232)**	(31,735)
Cash and cash equivalents – end of period	**$ 10,454**	$ 29,977

During the three months ended March 31, 2023, the Trust generated cash flows provided by operating activities of $20,011 (2022 – $15,943), primarily related to cash royalties received.

For the three months ended March 31, 2023, the Trust generated $59,054 in cash provided by financing activities. The Trust completed a Private Placement to a group of investors, as described on page 19 of this MDA. The Private Placement provided proceeds to the Trust of $92,003, net of transaction fees. The Trust borrowed $70,000 from its amended credit facility and used cash flows of $89,377 to make principal repayments, $8,268 to make related interest payments and $735 to pay debt issuance costs. During the same period, the Trust also used cash flows of $1,735 to repurchase Trust Units under its NCIB plan, and paid cash distributions of $2,834 to Unitholders. For the three months ended March 31, 2022, the Trust generated $11,072 in cash provided by financing activities. The Trust borrowed $60,000 from its amended credit facility and used cash flows of $34,550 to make principal repayments and $340 to make related interest payments. During the same period, the Trust also used cash flows of $2,510 to repurchase Trust Units under its NCIB plan, and paid cash distributions of $11,528.

For the three months ended March 31, 2023, the Trust used cash flows of $105,297 in investing activities primarily related to the Tzield royalty asset transaction and the Vonjo milestone payment, as described on page 6 of this MD&A. The Trust also received cash interest of $1,633 related to the CTI secured debt, as described on page 17 of this MD&A. For the three months ended March 31, 2022, the Trust used cash flows of $58,750 in investing activities primarily related to the Vonjo royalty asset transaction, as described on page 6 of this MD&A. During the same period, the Trust also received cash interest of $1,250 related to the CTI secured debt.

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. As at March 31, 2023, 37,483,648 Units (December 31, 2022 – 37,790,395 Units) were outstanding at a cost of $371,910 (December 31, 2022 – $373,577).

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

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
Balance – December 31, 2021	**39,079,680**		**n/a**	**$**	**374,034**
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)
Balance – March 31, 2022	**38,636,928**		**n/a**		**371,693**
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
Balance – December 31, 2022	**37,790,395**		**n/a**	**$**	**373,577**
Issuance of Units:					
Units issued on the vesting of Restricted Units	**12,706**		**5.36**	**$**	**68**
Repurchase and cancellation of Units – NCIB	**(319,453)**		**5.43**	**$**	**(1,735)**
Balance – March 31, 2023	**37,483,648**		**n/a**	**$**	**371,910**

Vesting of Restricted Units

During the three months ended March 31, 2023, the Trust issued 12,706 Units on the vesting of RUs, which were granted on November 22, 2022, as described on page 10 of this MD&A.

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 on page 10 of this MD&A.

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.

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

As described on page 5 of this MD&A, 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, as described on page 5 of this MD&A. In connection with the September 2021 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.

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. 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.

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

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

Warrants

In connection with the February 2023 Private Placement, as described on page 19 of this MD&A, 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

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
2022				
Q1 2022 – Quarterly cash distribution	March 31, 2022	April 20, 2022	$ 0.0750	$ 2,898
Q2 2022 – Quarterly cash distribution	June 30, 2022	July 20, 2022	$ 0.0750	2,899
Q3 2022 – Quarterly cash distribution	September 30, 2022	October 20, 2022	$ 0.0750	2,900
Q4 2022 – Quarterly cash distribution	December 31, 2022	January 20, 2023	$ 0.0750	2,834
Q4 2022 – Unit distribution(i)	December 31, 2022	n/a	$ 0.1655	6,254
			$ 0.4655	17,785
2023				
Q1 2023 – Quarterly cash distribution	March 31, 2023	April 20, 2023	**$ 0.0750**	**$ 2,811**
			$ 0.0750	**2,811**
Total			**$ 0.5405**	**$ 20,596**

(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.

LIQUIDITY AND CAPITAL RESOURCES

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 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.

The Trust has access to a number of capital sources, including: (i) cash on hand; (ii) internally generated cash flow; (iii) debt and other 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 $20,011 of cash provided by operating activities during the three months ended March 31, 2023.

Additionally, the Trust completed the Private Placement on February 8, 2023, as described on page 19 of this MD&A. 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. The Trust also further amended its credit facility on March 30, 2023, as described on page 18 of this MD&A. 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.

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, 2023, 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 $18,500 in the event that Vonjo sales exceed certain thresholds within a predefined period of time.

On September 9, 2022, the Trust entered into the Zejula transaction, as described on page 7 of this MD&A. 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 on page 7 of this MD&A. 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 on page 6 of this MD&A. 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 on page 6 of this MD&A, as of April 27, 2023, the Trust is no longer obligated to pay any amounts owing in respect of Tzield.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at March 31, 2023.

RELATED-PARTY TRANSACTIONS

DRI Healthcare 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 2022 annual consolidated financial statements. During the three months ended March 31, 2023, the Trust recorded $1,676 in management fees (2022 – $1,437) to our manager, $288 of which was payable as at March 31, 2023 (December 31, 2022 – nil).

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 2022 annual consolidated financial statements. The Trust did not incur any performance fees for the three months ended March 31, 2023 and 2022.

Key management compensation

During the years ended March 31, 2023 and 2022, the Trust issued compensation to members of the board of trustees, as described on page 11 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. 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.

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 to the Trust's 2022 annual consolidated financial statements. The Trust added a new accounting policy in the current period, as described below.

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.

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 2022 annual consolidated financial statements.

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 on page 21 of this MD&A.

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 on page 6 of this MD&A. The transaction was funded through drawings from the Trust's credit facility, as described on page 18 of this MD&A.

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 on page 6 of this MD&A. 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 significant cash and credit available to invest in our pipeline of royalty opportunities.

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 repayment

On May 2, 2023, the Trust made an additional principal repayment of its amended credit facility totaling $146,267, as described on page 18 of this MD&A.