DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

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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 (together with its consolidated subsidiaries, 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, 2024 (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, 2023 (the "**2023 annual consolidated financial statements**"). The consolidated financial statements of the Trust have been prepared in accordance 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 of DRI Healthcare Trust has approved this disclosure.

This MD&A is dated as of May 6, 2024.

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 SEDAR+ at www.sedarplus.ca. Solely for convenience, the products underlying our royalty assets may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the owners of such trademarks will not assert their rights to such trademarks.

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. For instance, the anticipated royalty terms for products in our portfolio may be shorter than the period of patent protection for the applicable product, depending on many factors, including the entry of generic drugs into the marketplace and competition, all of which are outside our control.These risks and uncertainties also 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.sedarplus.ca.

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**" and "**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). When we refer to having "**bought royalties**" on the sales of a particular product, or where we use similar expressions, we are generally referring to us having entered into the contractual arrangement that creates the traditional royalty or synthetic royalty stream in our favour. 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**" and "**therapeutics**", 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 and ratios that have been calculated using methodologies which are not in accordance with IFRS ("**non-GAAP measures**"). These financial measures and ratios 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 measures, in addition to our IFRS results, gives investors additional information for understanding the critical components of our financial performance. Accordingly, these non-generally accepted accounting principles ("**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 measures 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 14 of this MD&A. The Trust has presented the following non-GAAP measures in this MD&A:

- Total Cash Receipts;
- Normalized Total Cash Receipts;
- Total Cash Royalty Receipts;
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("**Adjusted EBITDA**");
- Adjusted EBITDA Margin; and
- Adjusted Cash Earnings per Unit.

OVERVIEW OF THE TRUST

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

DRI Healthcare Trust's Units (each a "**Unit**", and collectively "**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 transactions to purchase royalties paid on the sales of leading therapeutics. We do this by leveraging our manager's 35-year track record of disciplined capital deployment, the skills and competencies of our highly skilled team, and our proprietary sourcing and diligence systems. We accelerate therapeutic innovation by providing capital to leading inventors working at top universities and research institutions, academic institutions, biotechnology companies and large pharmaceutical companies. We provide our holders of Units ("**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 and/or regulatory protection; and
- Products that are marketed by leading biopharmaceutical companies.

Our manager, DRI Healthcare, has been at the forefront of our business since 1989. Over the past 17 years, the Trust or its predecessor funds have purchased 74 royalty streams on 48 products for more than $3 billion.

As at March 31, 2024, our portfolio consisted of 25 royalty streams on 19 products that treat conditions in a number of therapeutic areas, including oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, as well as lysosomal storage disorders ("**LSD**") and immunology. 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. The products underlying our royalty entitlements are marketed by leading global pharmaceutical and biotechnology companies, including Apellis Pharmaceuticals Inc. ("**Apellis**"), Biogen Inc. ("**Biogen**"), GSK plc ("**GSK**"), Galderma S.A. ("**Galderma**"), Johnson & Johnson Services, Inc ("**Johnson & Johnson**"), Menarini Group ("**Menarini**"), Novartis AG ("**Novartis**"), Rayner Surgical Inc. ("**Rayner Surgical**"), Regeneron Pharmaceuticals Inc. ("**Regeneron**"), Hoffman-La Roche AG ("**Roche**"), Sanofi S.A. ("**Sanofi**") and Swedish Orphan Biovitrum AB ("**Sobi**"). In addition to our royalty transactions, as part of our existing Vonjo royalty purchased in 2022 ("**Vonjo I**"), a subsidiary of DRI Healthcare Trust provided a secured loan (the "**loan receivable**") to CTI BioPharma Corp ("**CTI**"), which was fully repaid on June 26, 2023.

Unique Growth Strategy

We are 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 35 years. These include the specialized expertise of its team members, its access to data and information through its 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 our manager has a number of advantages that are hard to replicate. One of these advantages is our manager's proprietary database that is used to source transactions. This database tracks over 7,500 royalties on over 2,500 drugs worldwide. Another advantage is the deep relationships our manager has developed in our industry.

Our target is to complete over $1.25 billion in transactions from the time of our initial public offering in February 2021 to the end of 2025, which we believe will allow us to generate sustainable annual growth in cash receipts. We expect to fund our royalty transactions predominantly using our cash on-hand, and through the prudent use of leverage. Since our initial public offering through March 31, 2024, we have deployed $881 million in 12 royalty transactions relating to 11 products and entered into the loan receivable. In connection with these transactions, there is potential further deployment of up to $106 million in 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 immunology. These products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, Biogen, GSK, Galderma, Johnson & Johnson, Menarini, Novartis, Rayner Surgical, Regeneron, Roche, Sanofi and Sobi. In addition, a subsidiary of DRI Healthcare Trust entered into the loan receivable as part of the royalty transaction relating to Vonjo I. The loan receivable was fully repaid on June 26, 2023.

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. We may also receive milestone royalty income payments based on the achievement of regulatory and/or sales performance thresholds in accordance with the terms of the underlying royalty agreements. Milestone royalty income is recognized in royalty income once the milestone event is achieved.

The table below provides an overview of our royalty assets as at March 31, 2024, 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. See "Risk Factors" in our most recent annual information form.

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

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry(i), (ii)
Empaveli/Syfovre(iii),(iv)	Hematology/Ophthalmology	Apellis, Sobi	May 2021	Q4 2033
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Ilaris(v)	Immunology	Novartis	June 2009	Q1 2025
Natpara	Endocrinology	Takeda	January 2015	Q3 2025
Omidria(vi)	Ophthalmology	Rayner Surgical	May 2014	Q4 2031
Oracea	Dermatology	Galderma	May 2006	Q1 2028
Orserdu I	Oncology	Menarini	January 2023	Q1 2035
Orserdu II	Oncology	Menarini	January 2023	Q1 2035
Rydapt	Oncology	Novartis	April 2017	Q1 2028
Simponi(v)	Immunology	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Spinraza	Neurology	Biogen	December 2016	Q3 2031
Stelara(v)	Immunology	Johnson & Johnson, Mitsubishi Tanabe	September 2009	Q2 2024
Vonjo I	Hematology	Sobi	February 2022	Q2 2034
Vonjo II	Hematology	Sobi	February 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	August 2022	Q4 2036
Xolair	Immunology	Roche, Novartis	June 2003	Q2 2032
Zejula	Oncology	GSK	April 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	September 2011(vii)	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, loss of exclusivity and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring.
(ii) The anticipated royalty terms for products in our portfolio may be shorter than the period of patent protection for the applicable product, depending on many factors, including the entry of generic drugs into the marketplace and competition, all of which are outside our control.
(iii) 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.
(iv) Empaveli/Syfovre include two royalty streams on each product held directly. In Q2 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre, as described on page 6 of this MD&A.The expected royalty expiry is consistent with the Empaveli/Syfovre royalty stream bought in Q3 2022.
(v) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(vi) In Q1 2024 the Trust amended the existing Omidria agreement. As a result of the amendment the expected royalty expiry was adjusted from Q4 2030 to Q4 2031.
(vii) Represents the European Commission approval date.

Key Developments Related to our Assets

Oracea

A subsidiary of Galderma, the marketer of Oracea, and TCD Royalty Sub LP, a subsidiary of the Trust, have been engaged in patent infringement litigation with Lupin Inc. and Lupin Limited (together, "**Lupin**") in the U.S. District Court for the District of Delaware (the "**District Court**") since December 2021. Lupin had filed an abbreviated new drug application with the U.S. Food and Drug Administration ("**FDA**") to manufacture a generic version of Oracea prior to the expiration of key patents to which Galderma is the exclusive license holder.

On April 1, 2024, the District Court issued a decision of non-infringement in favour of Lupin. Consequently, Galderma has filed an appeal of the District Court's decision with the United States Court of Appeals for the Federal Circuit. On April 9, 2024, Lupin launched its generic version of Oracea "at-risk" in the United States, prior to the appeal decision. On April 16, 2024, Galderma filed a motion for preliminary injunction to require Lupin to cease marketing of its generic product while the appeal is pending, and subsequently filed a motion to expedite the appeal.

These events represent indicators of potential impairment of the Trust's Oracea royalty asset. As such, we are required to determine the recoverable amount of Oracea to assess if the asset is impaired. We calculated the recoverable amount for Oracea at March 31, 2024 using a discounted cash flow model based on the unadjusted forecasted royalties on remaining cash flows, as the potential impact of these events on future cash flows cannot be determined at this time. Key assumptions and sources of estimation uncertainty relate to the discount rate and future cash flows, including future sales of Oracea, future sales of generic versions of Oracea and the outcome of the appeal. Based on our analysis, as the net book value of Oracea was higher than the recoverable amount, we recognized an impairment of the Oracea royalty asset of $4.5 million as at March 31, 2024. As a result of recognizing this impairment, the net book value of the Oracea royalty asset as at March 31, 2024 is $19.7 million, which represents the recoverable value as at this date.

Given the recent launch of Lupin's product "at-risk" and its potential impact on sales of Oracea, and with the decisions on the motions filed by Galderma yet to be determined, it is reasonably possible, on the basis of existing knowledge, that additional information in upcoming quarters will result in updates or revisions to the assumptions used as at March 31, 2024 and could require a further adjustment to the carrying value of the Oracea royalty asset.

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 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.

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 does not intend to re-commercialize Natpara in the United States. Beyond 2024, Takeda intends to supply available doses of Natpara to Europe and other regions around the world until the inventory of Natpara is depleted or expired.

In December 2023, we filed a complaint against Takeda in the State of New York alleging breach of contract and seeking damages.

The announcement from Takeda and the filing of a legal complaint represented indicators of potential impairment that require us to determine the recoverable amount of Natpara to assess if the asset is impaired. We calculated the recoverable amount for Natpara at December 31, 2023 using a discounted cash flow model based on the forecasted royalties on remaining future cash flows, as we continue to earn royalty income on European and rest of the world sales and expect that this will continue past Takeda's planned end of manufacturing at the end of 2024 to account for residual inventory depletion. Key assumptions and sources of estimation uncertainty relate to future cash flows, including future sales of Natpara. Based on our analysis, as the net book value of Natpara was higher than the recoverable amount, we recognized an impairment of the Natpara royalty asset of $9.2 million as at December 31, 2023. The net book value of Natpara as at December 31, 2023 was $2.4 million, which represented the recoverable amount.

As at March 31, 2024, the case is proceeding as expected in New York State Supreme Court and is currently in the discovery phase.

Orserdu

During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income for Orserdu I and Orserdu II of $3.4 million and $30.3 million, respectively, $12.7 million of which was received in the fourth quarter of 2023 with the remaining payment of $21.0 million received in the first quarter of 2024. The Orserdu I and Orserdu II royalty assets are defined and discussed in further detail on page 6 of this MD&A.

Other Key Events

Preferred Securities and Warrants

On February 8, 2023, we completed a private placement of securities (the "**2023 Private Placement**") to a group of investors, the proceeds from which were used to repay amounts owing under our credit facility. The 2023 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 "**2023 Preferred Securities**") and the issuance of 6,369,180 warrants (the "**2023 Warrants**"), as described below. The 2023 Preferred Securities were unsecured, subordinated debt securities. The 2023 Preferred Securities paid cash interest at a rate of 7.04% per annum on the principal amount of the 2023 Preferred Securities, payable semi-annually on June 30 and December 31 of each year.

Subsequent to March 31, 2024, the Trust completed a refinancing of the 2023 Preferred Securities and the 2023 Warrants. As a result of the refinancing, holders of the 2023 Preferred Securities and 2023 Warrants received $135.2 million of new Series C Preferred Securities and 1,749,996 new warrants (the "**2024 Warrants**") having an exercise price representing a 20% premium to the five day volume-weighted average price of the Trust's Units. The 2023 Preferred Securities were cancelled and the 2023 Warrants were redeemed upon completion of the refinancing, with holders entitled to receive accrued and unpaid interest on the 2023 Preferred Securities up to and excluding such date. The preferred securities and warrants are discussed in further detail on page 20 of this MD&A.

Distributions

During the three months ended March 31, 2024, our board of trustees declared a quarterly cash distribution of $0.085 per Unit totaling $4.8 million, to Unitholders of record as at March 31, 2024, which was paid on April 19, 2024. Additionally, on January 19, 2024, we paid $19.2 million of cash distributions declared in 2023.

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

Transactions Completed in 2024

Omidria Royalty Amendment

On February 1, 2024, we expanded our interest in royalties on the United States net sales of Omidria for $115 million by amending the existing Omidria royalty agreement entered into in 2022. As a result of the amendment, we are now entitled to receive a 30% royalty on United States net sales of Omidria until December 31, 2031, and all previously agreed-upon annual royalty caps have been eliminated. As part of the amendment, we are no longer entitled to ex-U.S. royalties. In accordance with the terms of the amended royalty agreement, the royalty seller may be entitled to receive up to $55 million in potential sales-based milestone payments.

We recognized acquired royalties receivable of $3.6 million related to our royalty entitlement accrued from November 1, 2023 to February 1, 2024, the date of the amendment. Transaction costs of $1.4 million were capitalized as part of the royalty asset amendment.

Omidria was approved by the FDA in May 2014 and the European Medicines Agency ("**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.

Transactions Completed in 2023

Tzield Transactions

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 entitled us to a single-digit royalty on the worldwide net sales of Tzield. Tzield is a biologic drug indicated to delay the onset of stage 3 type 1 diabetes in adults and pediatric patients aged 8 years and older who have stage 2 (at-risk) type 1 diabetes. It was approved by the FDA in November 2022. Tzield is currently the only approved preventative treatment indicated for stage 2 type 1 diabetes patients and is marketed by Sanofi. Tzield is also being investigated in a phase III study for the treatment of newly diagnosed stage 3 type 1 diabetes patients.

We were entitled to receive quarterly royalty payments on a one-quarter lag based on Tzield sales beginning January 1, 2023. Tzield is protected by patent and regulatory exclusivities for 12 years from its first commercial sale. 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 transaction.

On April 27, 2023, we sold our royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for $210 million. Pursuant to the terms of the agreement, we 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 used $20 million of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023, which was paid on July 20, 2023, as described on page 23 of this MD&A. An additional portion of the sale proceeds was used to pay down the entire balance outstanding under our acquisition credit facility on May 2, 2023. This transaction resulted in management and performance fees payable to our manager.

Additional Empaveli/Syfovre Royalty Stream

On April 3, 2023, we bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for $3.7 million. This royalty is in addition to our existing Empaveli/Syfovre royalty purchased in 2022. The transaction entitles us to an additional fractional percentage of worldwide net sales of pegcetacoplan. We are entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing July 1, 2022 to be paid on a three-quarter lag. We recognized acquired royalties receivable of $0.1 million related to our royalty entitlement accrued from October 1, 2022 to April 3, 2023, the date of the royalty transaction. Transaction costs of $0.3 million were capitalized as part of the royalty transaction.

Our royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction. In accordance with the royalty agreement, an additional milestone payment of $4 million may be paid if worldwide net sales exceed certain thresholds.

Empaveli is the first targeted C3 therapy for use in adults with paroxysmal nocturnal hemoglobinuria and was approved for that indication by the FDA and the EMA in 2021. 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. Pegcetacoplan is also in development for additional pipeline indications including cold agglutinin disease and C3 glomerulopathy. It is marketed in the United States by Apellis and outside the United States, including the European Union, by Sobi, where it is marketed under the brand name Aspaveli.

Orserdu Transaction

On June 29, 2023, we bought royalties on the sales of Orserdu (elacestrant) for $85 million ("**Orserdu I**"). The transaction entitles us to a mid-single digit tiered royalty on the worldwide net sales of Orserdu. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. We received our first payment in the third quarter of 2023. We recognized acquired royalties receivable of $3.4 million related to our royalty entitlement accrued from April 1, 2023 to June 29, 2023, the date of the royalty transaction. The acquired royalties receivable and the value of the royalty asset were adjusted in the third quarter of 2023 to reflect the actual royalties received for the period from April 1, 2023 to June 29, 2023. Transaction costs of $1.0 million were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, we are also entitled to receive additional milestone royalty payments based on the achievement of regulatory approvals and sales performance thresholds. Orserdu is an oral, selective estrogen receptor degrader. It is the first and only approved targeted therapy used in the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy. It was approved by the FDA in January 2023 and by the EMA in September 2023. The EMA approval of Orserdu triggered milestone royalty income of $2.75 million, which was recognized as royalty income in the third quarter of 2023 and received in the fourth quarter of 2023. During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of $3.4 million, which was recognized in royalty income in the fourth quarter of 2023, $1.3 million of which was received in the fourth quarter of 2023 and $2.1 million of which was received in the first quarter of 2024. Orserdu is patent protected up to January 2038. Orserdu was discovered by Eisai Co., Ltd. and is marketed by Menarini.

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

Additional Vonjo Royalty Stream

On July 7, 2023, we bought an additional royalty stream on Vonjo for $66 million ("**Vonjo II**"). This royalty is in addition to our existing Vonjo I royalty stream. The transaction was funded on July 25, 2023 and entitles us to a tiered royalty on worldwide net sales of Vonjo. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. We received our first payment in the third quarter of 2023. Vonjo is patent protected until at least January 2034. We are also entitled to receive up to $107.5 million in milestone royalty payments. During the year ended December 31, 2023, Vonjo sales exceeded certain sales performance thresholds that triggered milestone royalty income of $5.0 million, which was recognized as royalty income in the fourth quarter of 2023 and received in the first quarter of 2024.

We recognized acquired royalties receivable of $0.6 million related to our royalty entitlement accrued from April 1, 2023 to July 25, 2023, the date of the royalty transaction. Transaction costs of $1.0 million were capitalized as part of the royalty asset acquired.

Vonjo was approved by the FDA in February 2022 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.

Additional Orserdu Royalty Stream

On August 14, 2023, we bought an additional royalty stream on Orserdu for $130 million ("**Orserdu II**"). This royalty is in addition to our existing Orserdu I royalty stream, as described in the Orserdu Transaction section above. The transaction entitles us to a net low to high single digit tiered royalty on the worldwide net sales of Orserdu. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2023. We received our first payment in the fourth quarter of 2023. We recognized acquired royalties receivable of $1.3 million related to our royalty entitlement accrued from July 1, 2023 to August 14, 2023, the date of the royalty transaction. Transaction costs of $1.6 million were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, we are also entitled to receive additional milestone royalty payments on the achievement of sales performance thresholds. During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of $30.3 million, which was recognized in royalty income in the fourth quarter of 2023, $11.4 million of which was received in the fourth quarter of 2023 and $18.9 million of which was received in the first quarter of 2024. Upon the occurrence of pre-specified events, we are obligated to pay a $10 million milestone to the royalty seller.

Summary of Transactions Completed in 2023

The following is a summary of the transactions completed during the year ended December 31, 2023:

	Tzield Transaction(i)	Empaveli/Syfovre Transaction	Orserdu I Transaction(ii)	Vonjo II Transaction	Orserdu II Transaction	Total for the year ended December 31, 2023
Assets						
Cash and cash equivalents	$ —	$ 14	$ —	$ —	$ —	$ 14
Royalties receivable	96	72	3,415	557	1,299	5,439
Royalty assets	99,904	3,614	81,585	65,443	128,701	379,247
Net acquired assets	$ 100,000	$ 3,700	$ 85,000	$ 66,000	$ 130,000	$ 384,700

(i) On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield, as described above. The net book value of the royalty asset was $99.5 million at the time of the sale, as described on page 18 of this MD&A. Acquired royalties receivable of $0.1 million were reversed as the entitlement to the royalty income was sold.
(ii) During the third quarter of 2023, the acquired royalties receivable and the value of the royalty asset were adjusted to reflect the actual royalties received for the period from April 1, 2023 to June 29, 2023.

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

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the three months ended March 31, 2024, the Trust generated total income of $42,067 (2023 – $28,236), incurred total expenses of $48,264 (2023 – $29,359).

During the three months ended March 31, 2024, the Trust also recorded an unrealized fair value gain in other comprehensive earnings (loss) of $1,197 related to its derivative instruments (2023 – nil), resulting in total comprehensive earnings (loss) of $(5,000) (2023 – $(1,123)).

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

	Three months ended	
	March 31, 2024	March 31, 2023
Income		
Royalty income	$ 41,345	$ 26,292
Interest and other income on loan receivable	—	1,707
Other interest income	722	237
Total income	**42,067**	**28,236**
Expenses		
Amortization of royalty assets	25,089	19,168
Impairment of royalty assets	4,451	—
Management fees	4,164	1,676
Performance fees	231	—
Interest expense	8,398	6,166
Deal investigation and research expenses	1,902	981
Unit-based compensation	2,567	288
Other operating expenses	1,462	1,080
Total expenses	**48,264**	**29,359**
Net earnings (loss)	**(6,197)**	**(1,123)**
Other comprehensive earnings (loss)		
Net unrealized gain (loss) on derivative instruments	1,197	—
Comprehensive earnings (loss)	**$ (5,000)**	**$ (1,123)**

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, milestone 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 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. Actual milestone royalty receipts are received after the milestone condition has been met and they are paid in accordance with the terms of the agreement with the counterparty. Royalty income of $41,345 for the three months ended March 31, 2024 (2023 – $26,292) includes $39,722 (2023 – $20,093) related to royalty entitlements which will be received subsequent to March 31, 2024.

(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, 2024 and 2023:

	Three months ended March 31, 2024	Three months ended March 31, 2023	% Change
Royalty Assets			
Empaveli/Syfovre[(i)]	$ 2,238	$ 782	186 %
Eylea I	1,295	1,317	(2)%
Eylea II	280	303	(8)%
FluMist[(ii)]	—	31	(100)%
Natpara	423	639	(34)%
Omidria	8,647	3,250	166 %
Oracea	2,361	2,356	— %
Orserdu I[(iii)]	5,096	—	n/a
Orserdu II[(iii)]	3,678	—	n/a
Rydapt	1,610	2,934	(45)%
Spinraza	3,446	3,843	(10)%
Stelara, Simponi and Ilaris[(iv)]	142	258	(45)%
Tzield[(v)]	—	35	(100)%
Vonjo I	4,156	1,421	192 %
Vonjo II[(iii)]	866	—	n/a
Xenpozyme	273	30	810 %
Xolair	3,094	2,945	5 %
Zejula	1,051	773	36 %
Zytiga	2,401	4,822	(50)%
Other Products[(vi)]	288	553	(48)%
Total Royalty Income	**$ 41,345**	**$ 26,292**	**57 %**

(i) Empaveli/Syfovre include two royalty streams on each product held directly.
(ii) The Trust recorded no royalty income related to FluMist in 2024 as it received its final royalty payment in Q4 2023.
(iii) The Trust recorded no royalty income related to Orserdu I, Orserdu II or Vonjo II prior to March 31, 2023 as the Trust obtained control over the royalty assets in subsequent periods, as described on page 6 of this MD&A.
(iv) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(v) The Tzield royalty was acquired on March 8, 2023. On April 27, 2023, the Trust sold the Tzield royalty, as described on page 6 of this MD&A.
(vi) Other Products includes royalty assets which are not individually material, as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

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, 2024 was $41,345 (2023 – $26,292). The increase in royalty income was primarily due to (i) royalty income earned related to Orserdu I, Orserdu II and Vonjo II which were added to the portfolio subsequent to March 31, 2023, as described on page 6 of this MD&A; (ii) the inclusion of a second royalty stream for Empaveli/Syfovre, as described on page 6 of this MD&A; (iii) strong sales from Vonjo I due to growing market demand; and (iv) the elimination of annual royalty caps on Omidria due to the amendment to the royalty agreement, as described on page 5 of this MD&A.

The increase in royalty income was partially offset by (i) the expiration of royalty entitlements in certain geographies as expected for Rydapt; and (ii) the expected decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies.

Royalty assets added to the portfolio subsequent to March 31, 2023 contributed $9,640 in royalty income for the three months ended March 31, 2024.

Interest and other income on loan receivable

On August 25, 2021, the Trust provided CTI $50,000 in secured debt. On June 26, 2023, CTI prepaid all amounts outstanding under the loan agreement. The interest and other income is primarily comprised of interest earned and the premiums for prepayment on the loan receivable. The Trust did not earn interest and other income on the loan receivable for the three months ended March 31, 2024 as the loan was fully repaid in 2023 (2023 – $1,707). Interest and other income for the three months ended March 31, 2024 and 2023 are presented below:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Interest on principal loan	$ —	$ 1,633
Amortization of commitment fee	—	25
Accretion of exit fee	—	49
Interest and other income on loan receivable	**$ —**	**$ 1,707**

(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 2023 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, 2024, the Trust recorded amortization of royalty assets of $25,089 (2023 – $19,168).

The increase in amortization expense during the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to the additional amortization recorded related to the assets acquired subsequent to March 31, 2023, as described on page 6 of this MD&A.

Impairment of royalty assets

During the three months ended March 31, 2024, the Trust recognized an impairment loss of $4,451 (2023 – nil) related to the Oracea royalty asset, as described on page 5 of this MD&A. The Trust determined the net recoverable amount for Oracea using a discounted cash flow model based on forecasted royalties and a discount rate of 12%. The recoverable amount is $19,665 as at March 31, 2024. The carrying value of the asset prior to recognizing an impairment exceeded the recoverable amount and the difference of $4,451 was recorded as an impairment loss. The impairment loss is recognized in the consolidated statements of net earnings and comprehensive earnings.

Management fees

The Trust pays management fees on a quarterly basis to the manager, as described on page 24 of this MD&A. The Trust recorded management fees of $4,164 during the three months ended March 31, 2024 (2023 – $1,676).

The increase in management fees for the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to cash receipts on milestone royalty income earned from Orserdu I, Orserdu II and Vonjo II, as described on page 6 of this MD&A, and higher cash royalty receipts from the Trust's royalty portfolio for the three months ended March 31, 2024 compared to the same period in 2023, as described on page 14 of this MD&A.

Performance fees

The Trust pays performance fees to the manager when certain conditions are met, as described on page 24 of this MD&A. The Trust recorded performance fees of $231 during the three months ended March 31, 2024 (2023 – nil) as the calculation for the accrued performance fees recognized in the fourth quarter of 2023 was finalized. During the fourth quarter of 2023, conditions for performance fee payments were met as a result of the milestone royalty income earned from Orserdu I, Orserdu II and Vonjo II, as described on page 6 of this MD&A, and performance fees of $5,918 were recognized. In the first quarter of 2024, $1,233 of performance fees were paid (2023 – nil) and the remaining balance is expected to be paid in future quarters.

Interest expense

The Trust's interest expense relates to interest paid on the Trust's credit facility, as described on page 19 of this MD&A and interest on the 2023 Preferred Securities as described on page 20 of this MD&A. Interest expense for the three months ended March 31, 2024 and 2023 is presented below. The increase in interest expense during the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to (i) higher interest rates incurred on the Trust's credit facility; (ii) higher balance drawn on the Trust's credit facility; and (iii) the inclusion of interest expense for a full quarter in 2024 related to the 2023 Preferred Securities, as compared to a partial quarter in 2023. The Trust's long-term debt is discussed further on page 19 of this MD&A.

Partially offsetting the interest expense on the credit facility is interest earned on the Trust's interest rate swap. On August 31, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of $100,000 of the Trust's credit facility, as described on page 20 of this MD&A. The Trust uses the interest rate swap as a derivative financial instrument designated as a cash flow hedge to manage interest rate risk related to its credit facility. During the three months ended March 31, 2024, the Trust received settlement of $180 on the interest rate swap (2023 – nil).

	Three months ended March 31, 2024	Three months ended March 31, 2023
Interest on credit facility net borrowings	$ 4,899	$ 4,027
Standby fees	273	133
Amortization of deferred transaction costs	309	305
Interest earned on interest rate swap	(180)	—
Total interest expense on credit facility	**$ 5,301**	**$ 4,465**
Interest on Preferred Securities	$ 2,014	$ 1,151
Accretion of par value	930	473
Amortization of deferred transaction costs	153	77
Total interest expense on Preferred Securities	**$ 3,097**	**$ 1,701**
Total interest expense	**$ 8,398**	**$ 6,166**

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

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, 2024, the Trust recorded deal investigation and research expenses of $1,902 (2023 – $981). The increase in deal investigation and research expenses for the three months ended March 31, 2024 when compared with the same period in 2023 was driven by additional research related services and consultants due to the growth of the Trust's asset acquisition initiatives, and by deal costs related to a binding bid process which was unsuccessful as the counterparty terminated the process in favour of other capital market activities.

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(p) of the Trust's 2023 annual consolidated financial statements.

For the three months ended March 31, 2024, the unit-based compensation expense was $2,567 (2023 – $288) and was comprised of Restricted Unit ("**RU**") grants. As at March 31, 2024, the unit-based compensation liability was $4,778 (December 31, 2023 – $2,211), comprised of a current portion of $3,466 (December 31, 2023 – $1,499) and a long-term portion of $1,312 (December 31, 2023 – $712) related to the outstanding awards.

The following table provides the details of RU grants up to March 31, 2024:

	Restricted Units	
Balance – January 1, 2023	**392,594**	**Units**
Distribution equivalent Units granted[(i)]	5,063	Units
Vesting of Restricted Units	(21,108)	Units
Forfeiture of Restricted Units	(212)	Units
Balance – March 31, 2023	**376,337**	**Units**
Restricted Units granted:		
Granted on August 17, 2023[(ii)]	235,278	Units
Granted on August 17, 2023[(iii)]	16,000	Units
Granted on October 25, 2023[(iv)]	85,816	Units
Granted on December 21, 2023[(v)]	15,000	Units
Distribution equivalent Units granted[(i)]	40,845	Units
Vesting of Restricted Units	(390,697)	Units
Forfeiture of Restricted Units	(30,221)	Units
Balance – December 31, 2023	**348,358**	**Units**
Restricted Units granted:		
Granted on January 10, 2024[(vi)]	**370,128**	**Units**
Granted on January 10, 2024[(vii)]	**21,232**	**Units**
Distribution equivalent Units granted[(i)]	**5,373**	**Units**
Balance – March 31, 2024	**745,091**	**Units**

(i) All RUs are credited with distribution equivalents in the form of additional RUs on each distribution payment date in respect of which normal distributions are paid on the Trust's Units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate.
(ii) Vested immediately on August 17, 2023.
(iii) Vesting equally on September 10, 2023, September 10, 2024 and September 10, 2025.
(iv) Vested immediately on October 25, 2023 and settling equally on June 15, 2024 and June 15, 2025.
(v) Vesting equally on September 10, 2024, September 10, 2025 and September 10, 2026.
(vi) Vesting equally on June 15, 2024 and June 15, 2025.
(vii) Vesting on April 1, 2024.

Subsequent to March 31, 2024, on April 1, 2024, the Trust issued an additional 9,938 Units upon the settlement of vested RUs which were granted on January 10, 2024 and the related distribution equivalent Units.

No Options or Performance Units ("**PUs**") were granted as at March 31, 2024 and December 31, 2023. 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, 2024, the Trust recorded total operating expenses of $1,462 (2023 – $1,080).

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

	Three months ended March 31, 2024	Three months ended March 31, 2023
Board of trustees fees	$ 401	$ 128
Professional fees	453	538
Amortization of other current assets	—	143
Other expenses	608	271
Total other operating expenses	**$ 1,462**	**$ 1,080**

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(p) to the Trust's 2023 annual consolidated financial statements.

During the three months ended March 31, 2024, the Trust granted 8,047 DUs (2023 – 17,490) in lieu of cash compensation to trustees and 903 distribution equivalent Units (2023 – 946) in relation to the quarterly distributions. Board compensation expense for the three months ended March 31, 2024 included $354 (2023 – $82) related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was $1,459 (December 31, 2023 – $1,105) and was included in other current liabilities.

The increase in board compensation expense for the three months ended March 31, 2024 compared to the same period in 2023 was due to an increase in the Unit price.

Professional fees

For the three months ended March 31, 2024, the Trust recorded total professional fees of $453 (2023 – $538) related to professional services including audit, legal, tax, valuation and consulting. The decrease for the three months ended March 31, 2024 was primarily due to higher legal fees incurred in 2023 associated with the litigation of a royalty asset and higher consulting fees recorded in 2023.

Other expenses

Other expenses for the three months ended March 31, 2024 were $608 (2023 – $271) and included $250 (2023 – nil) in donations, primarily related to the pledge agreement with Mayo Clinic, as described on page 24 of this MD&A.

Net unrealized gain (loss) on derivative instruments

The Trust uses an interest rate swap as a derivative financial instrument designated as a cash flow hedge to manage interest rate risk related to its credit facility, as described on page 20 of this MD&A. The Trust does not hold or use any derivative financial instruments for speculative trading purposes. On August 31, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of $100,000 of the credit facility. The details of the interest rate swap are as follows:

Derivative Instruments	Maturity Date	Notional Value	Fair Value as at March 31, 2024	Fair Value as at December 31, 2023
Interest rate swap	March 31, 2026	$ 100,000	$ 108	$ (1,089)

The Trust applies hedge accounting, as described in note 2(e) to the Trust's 2023 annual consolidated financial statements. During the three months ended March 31, 2024, the Trust recognized an unrealized fair value gain in other comprehensive earnings (loss) of $1,197 (2023 – nil) as a result of the interest rate swap derivative instrument.

Weighted average number of Units

For the three months ended March 31, 2024, the Trust generated basic and fully diluted net earnings (loss) per Unit of $(0.11) (2023 – $(0.03)). The weighted average number of Units outstanding for the purpose of calculating net earnings (loss) per Unit were as follows:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Basic	56,358,240 Units	37,753,194 Units
Diluted	56,358,240 Units	37,821,801 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, the distributions per Unit and the weighted average number of Units outstanding for the last eight most recently completed quarters:

	2024	2023				2022		
As at	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
Total assets	$ 903,449	$ 834,957	$ 811,522	$ 720,343	$ 692,331	$ 633,419	$ 614,042	$ 450,167
Credit facility and Preferred Securities(i)	275,051	189,978	204,287	236,341	290,576	212,358	186,858	50,858
Three months ended	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
Total income	$ 42,067	$ 75,842	$ 34,143	$ 28,058	$ 28,236	$ 22,642	$ 26,471	$ 21,296
Total expenses(ii)	(48,264)	(53,667)	(38,074)	(62,631)	(29,359)	(27,449)	(18,857)	(18,199)
Net gain on sale of royalty assets	—	—	150	109,606	—	—	—	—
Net earnings (loss)	$ (6,197)	$ 22,175	$ (3,781)	$ 75,033	$ (1,123)	$ (4,807)	$ 7,614	$ 3,097
Net unrealized gain (loss) on derivative instruments	1,197	(1,741)	652	—	—	—	—	—
Comprehensive earnings (loss)	$ (5,000)	$ 20,434	$ (3,129)	$ 75,033	$ (1,123)	$ (4,807)	$ 7,614	$ 3,097
Net earnings (loss) per Unit								
Basic	$ (0.11)	$ 0.39	$ (0.08)	$ 2.00	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08
Diluted	$ (0.11)	$ 0.39	$ (0.08)	$ 2.00	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08
Distributions per Unit(iii)								
Cash	$ 0.0850	$ 0.3412	$ 0.0750	$ 0.6084	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.0750
Unit(iv)	n/a	$ 0.7640	n/a	n/a	n/a	$ 0.1655	n/a	n/a
Weighted average number of Units								
Basic	56,358,240	56,332,607	46,115,848	37,487,973	37,753,194	38,231,059	38,657,266	38,654,707
Diluted	56,358,240	56,464,102	46,205,568	37,680,076	37,821,801	38,270,508	38,694,492	38,666,241

(i) Credit facility and preferred securities summary figures include only the non-current portion of the liabilities.
(ii) Total expenses for the second quarter of 2023 include management fees of $13,650 and performance fees of $18,616 related to the sale of the Tzield royalty interest, as described on page 6 of this MD&A. Total expenses for the fourth quarter of 2023 include performance fees of $5,918 related to the milestone royalty income earned on Orserdu I, Orserdu II and Vonjo II, as described on page 10 of this MD&A.
(iii) Represents distributions declared during the period.
(iv) On December 20, 2023, the board of trustees declared a special Unit distribution of $0.7640 per Unit, totaling $43,058 to Unitholders of record as at December 31, 2023, which was issued on December 31, 2023. 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 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, Normalized 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, Normalized Total Cash Receipts and Total Cash Royalty Receipts

Total Cash Receipts refers to Total Cash Royalty Receipts plus cash receipts from all products. Total Cash Receipts includes cash receipts from interest as well as non-recurring cash receipts such as the principal payments related to the loan receivable, fees and premiums related thereto and proceeds from the sale of royalty assets which consist of the proceeds from the sale of our Tzield royalty interest.

Total Cash Royalty Receipts refers to aggregate cash royalty receipts and milestone 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 and milestones, 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. We also present Normalized Total Cash Receipts, which refers to Total Cash Receipts adjusted to remove cash receipts that are not expected to recur in the normal course of our operations. We believe that Normalized Total Cash Receipts will assist readers in evaluating the period over period performance of our royalty portfolio since Normalized Total Cash Receipts only includes cash receipts generated by royalties and other amounts payable pursuant to the terms of our royalty assets and interest on the loan receivable. There were no adjustments required to normalize cash receipts for the three months ended March 31, 2024 and 2023.

	Cash Receipts		
	Three months ended March 31, 2024	Three months ended March 31, 2023	% Change
Royalty Assets			
Empaveli/Syfovre[(i)]	$ 23	$ 187	(88)%
Eylea I	1,407	1,374	2 %
Eylea II	305	1,124	(73)%
FluMist	—	1,445	(100)%
Natpara	568	611	(7)%
Omidria	8,560	3,250	163 %
Oracea	2,450	2,021	21 %
Orserdu I[(ii)]	8,020	—	n/a
Orserdu II[(ii)]	23,538	—	n/a
Rydapt[(iii)]	2,223	2,803	(21)%
Spinraza	3,843	4,106	(6)%
Stelara, Simponi and Ilaris[(iv)]	244	451	(46)%
Vonjo I	2,902	2,024	43 %
Vonjo II[(ii)]	5,605	—	n/a
Xenpozyme[(v)]	—	—	n/a
Xolair	2,446	2,538	(4)%
Zejula	962	742	30 %
Zytiga[(vi)]	—	—	n/a
Other Products[(vii)]	421	682	(38)%
Total Cash Royalty Receipts[(viii)]	**$ 63,517**	**$ 23,358**	**172 %**
Interest receipts from loan receivable[(ix)]	$ —	$ 1,633	(100)%
Total Cash Receipts and Normalized Total Cash Receipts[(viii)]	**$ 63,517**	**$ 24,991**	**154 %**

(i) Per the royalty agreement, Empaveli/Syfovre royalty cash receipts are to be received on a three-quarter lag. During the first quarter of 2024, a small portion of the royalty cash receipts expected to be received on a three-lag were received on a two-quarter lag. The remaining royalty receipts are expected to be received on a three-quarter lag and are expected to be received in the second quarter of 2024.
(ii) Includes milestone royalty receipts of $2,104 from Orserdu I, $18,939 from Orserdu II and $5,000 from Vonjo II.
(iii) Includes $1,000 in additional cash receipts related to a one-time payment received in Q1 2024.
(iv) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(v) Cash royalties from Xenpozyme are collected on a two-quarter lag from the respective half-year period.
(vi) Cash royalties from Zytiga are received on a semi-annual basis during the second and fourth quarters of each year.
(vii) Other Products includes royalty income from certain other royalty assets as well as royalty assets which are fully amortized and, where applicable, the entitlements to which have generally expired.
(viii) Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.
(ix) Interest receipts from loan receivable relates to the loan receivable, which was repaid in full on June 26, 2023.

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

First Quarter Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts

Normalized Total Cash Receipts and Total Cash Receipts during the three months ended March 31, 2024 were $63,517, representing an increase of $38,526 or 154% compared to the same period in 2023. The Trust recorded royalty income and interest and other income on the loan receivable of $41,345 during the three months ended March 31, 2024 (2023 – $27,999).

Total Cash Royalty Receipts during the three months ended March 31, 2024 increased by $40,159 or 172% compared to the same period in 2023. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties from Orserdu I, Orserdu II and Vonjo II, which were added to the portfolio subsequent to March 31, 2023 and contributed $37,163 during the current quarter; (ii) the amendment to the Omidria royalty entitlement removing the previously imposed caps on royalty receipts; (iii) the increase in Oracea due to the success of new marketing strategies put in place by Galderma; (iv) the increase in royalties for Vonjo I, which has demonstrated strong growth since being approved by the FDA during the first quarter 2022; and (v) the increase in royalties for Zejula due to sales growth as a result of the launch of a tablet formulation. The increase in cash royalty receipts was partially offset by (i) Empaveli cash receipts being received on a two-quarter lag in the prior year's quarter, compared to the expected three-quarter lag in the current year's quarter; (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 expiration of royalty entitlements in certain geographies as expected for Rydapt; (iv) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; and (v) the final royalty cash receipts for FluMist were received in the fourth quarter of 2023.

There were no cash interest receipts from the loan receivable for the three months ended March 31, 2024 as the loan receivable was prepaid in full by CTI on June 26, 2023, as described on page 5 of this MD&A.

The reconciliation of Total Cash Receipts, Normalized 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, Normalized Total Cash Receipts and Total Cash Royalty Receipts to total income. Total income represents the sum of royalty income, interest and other income on the loan receivable and other interest income. Reconciling total income to Total Cash Receipts results in the subtraction of other interest income, non-cash royalty income, non-cash interest and other income on the loan receivable and the addition of acquired royalties receivable. When reconciling to Normalized Total Cash Receipts, we further subtract any cash receipts not expected to recur. There were no further adjustments required to reconcile Normalized Total Cash Receipts for the three months ended March 31, 2024 and 2023. When reconciling to Total Cash Royalty Receipts, there is a corresponding subtraction to interest and other income on the loan receivable and an addition of non-cash interest and other 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 and cash receipts not expected to recur. For purposes of complying with equal prominence requirements of applicable securities laws relating to non-GAAP financial measures, the Trust refers to total income when referring to Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Total income	**$ 42,067**	$ 28,236
[-] Other interest income	**(722)**	(237)
[+] Royalties receivable, beginning of period	**64,082**	27,748
[-] Royalties receivable, end of period	**(45,470)**	(30,774)
[+] Acquired royalties receivable(i)	**3,560**	96
[-] Non-cash royalty income(ii)	**—**	(4)
[-] Non-cash interest and other income on loan receivable(iii)	**—**	(74)
[=] Total Cash Receipts and Normalized Total Cash Receipts	**$ 63,517**	**$ 24,991**
[-] Interest and other income on loan receivable	**—**	(1,707)
[+] Non-cash interest and other income on loan receivable(iii)	**—**	74
[=] Total Cash Royalty Receipts	**$ 63,517**	**$ 23,358**

(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. Acquired royalties receivable of $96 previously recognized for the Tzield Transaction in the first quarter of 2023 were reversed during the second quarter of 2023 as the Trust's royalty interest in Tzield was sold, 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 of nil was used to reduce the obligation during the three months ended March 31, 2024 (2023 – $4). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.

(iii) As the loan receivable was fully prepaid on June 26, 2023, as described on page 19 of this MD&A, there was no non-cash interest and other income for the three months ended March 31, 2024. For the three months ended March 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $25 and the accretion of exit fees receivable of $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 other non-cash expenses and accruals and income and expenses that are not expected to recur, that have been recorded on the statement of net earnings (loss) and comprehensive earnings (loss). We refer to EBITDA when reconciling our net earnings (loss) and comprehensive earnings (loss) 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, 2024	Three months ended March 31, 2023
Comprehensive earnings (loss)	$ (5,000)	$ (1,123)
[+] Amortization of royalty assets	25,089	19,168
[+] Impairment of royalty assets	4,451	—
[+] Amortization of other current assets(i)	—	143
[-] Other interest income	(722)	(237)
[+] Interest expense	8,398	6,166
EBITDA	32,216	**24,117**
[+] Royalties receivable, beginning of period	64,082	27,748
[-] Royalties receivable, end of period	(45,470)	(30,774)
[-] Performance fees payable, beginning of period	(5,918)	—
[+] Performance fees payable, end of period	4,916	—
[+] Acquired royalties receivable(ii)	3,560	96
[+] Unit-based compensation(iii)	2,567	243
[+] Board of trustees unit-based compensation(iv)	354	82
[-] Non-cash royalty income(v)	—	(4)
[-] Non-cash interest and other income on loan receivable(vi)	—	(74)
[-] Net unrealized gain on derivative instruments	(1,197)	—
[=] Adjusted EBITDA	$ 55,110	**$ 21,434**

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets. 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 5 of this MD&A. Acquired royalties receivable of $96 previously recognized for the Tzield Transaction in the first quarter of 2023 was reversed during the second quarter of 2023 as the Trust's royalty interest in Tzield was sold, as described on page 6 of this MD&A.
(iii) For the three months ended March 31, 2024, unit-based compensation expense was $2,567 (2023 – $288, of which $45 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 12 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 of nil was used to reduce the obligation during the three months ended March 31, 2024 (2023 – $4). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(vi) As the loan receivable was fully prepaid on June 26, 2023, there was no non-cash interest and other income for the three months ended March 31, 2024. For the three months ended March 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $25 and the accretion of exit fees receivable of $49.

Adjusted EBITDA during the three months ended March 31, 2024 was $55,110, representing an increase of $33,676 or 157% compared to the same period in 2023. The increase in Adjusted EBITDA for the three months ended March 31, 2024 can be attributed to the increase in royalty income compared to the same period in 2023. Royalty income increased by $15,053 for the three months ended March 31, 2024, compared to the same period in 2023, as described on page 8 of this MD&A. The net change in royalties receivable of $21,638 also contributed to the increase in Adjusted EBITDA compared to the same period in the previous year. The net change in royalties receivable was primarily due to receipt of the Orserdu I, Orserdu II and Vonjo II milestones during the three months ended March 31, 2024.

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. Since the second quarter of 2023, Adjusted EBITDA Margin has been calculated using Normalized Total Cash Receipts which eliminates the impact of cash receipts not expected to recur in the normal course of our operations. In prior periods, Total Cash Receipts had been used for our calculation of Adjusted EBITDA Margin; however, with the inclusion of cash receipts that are not expected to recur in Total Cash Receipts, in order for Adjusted EBITDA Margin to be presented on a comparable basis with respect to prior periods, Normalized Total Cash Receipts has been used.

The calculation of Adjusted EBITDA Margin is presented below.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Adjusted EBITDA	$ 55,110	$ 21,434
[÷] Normalized Total Cash Receipts	$ 63,517	$ 24,991
[=] Adjusted EBITDA Margin	87%	**86%**

(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, excluding cash earnings that are not expected to recur.

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

	Three months ended March 31, 2024	Three months ended March 31, 2023
Comprehensive earnings (loss)	$ (5,000)	$ (1,123)
[+] Amortization of royalty assets	25,089	19,168
[+] Impairment of royalty assets	4,451	—
[+] Amortization of other current assets[(i)]	—	143
[+] Unit-based compensation[(ii)]	2,567	243
[+] Board of trustees unit-based compensation[(iii)]	354	82
[-] Non-cash royalty income[(iv)]	—	(4)
[-] Non-cash interest and other income on loan receivable[(v)]	—	(74)
[-] Net unrealized gain on derivative instruments	(1,197)	—
Adjusted Cash Earnings	**$ 26,264**	**$ 18,435**
[÷] Weighted average number of Units – basic	56,358,240	37,753,194
[=] Adjusted Cash Earnings per Unit – basic	$ 0.47	$ 0.49
[÷] Weighted average number of Units – diluted	56,358,240	37,821,801
[=] Adjusted Cash Earnings per Unit – diluted	$ 0.47	$ 0.49

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets. The related amortization expense is recorded in other operating expenses.
(ii) For the three months ended March 31, 2024, unit-based compensation expense was $2,567 (2023 – $288, of which $45 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 12 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 of nil was used to reduce the obligation during the three months ended March 31, 2024 (2023 – $4). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(v) As the loan receivable was fully prepaid on June 26, 2023, as described on page 19 of this MD&A, there was no non-cash interest and other income for the three months ended March 31, 2024. For the three months ended March 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $25 and the accretion of exit fees receivable of $49.

Adjusted Cash Earnings for the three months ended March 31, 2024 is $26,264 compared to $18,435 for the same period in 2023, the increase of $7,829 or 42% is primarily due to increased cash receipts. Basic Adjusted Cash Earnings per Unit for the three months ended March 31, 2024 is $0.47 compared to $0.49 for the same period in 2023. The decrease of $0.02 per Unit for the three months ended March 31, 2024 is primarily attributed to the increase in the weighted average number of Units outstanding due to the follow-on public offerings completed by the Trust in 2023, as described on page 22 of this MD&A.

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

FINANCIAL REVIEW: FINANCIAL POSITION

As at March 31, 2024, the Trust had consolidated total assets of $903,449 (December 31, 2023 – $834,957) and consolidated total liabilities of $351,742 (December 31, 2023 – $273,460). The following table presents the components of consolidated total assets and total liabilities as at March 31, 2024 and December 31, 2023, followed by a discussion of significant categories of assets and liabilities.

	As at March 31, 2024	As at December 31, 2023
Assets		
Cash and cash equivalents	$ 66,562	$ 62,835
Royalties receivable	45,470	64,082
Other current assets	863	372
Current assets	112,895	**127,289**
Royalty assets, net of accumulated amortization	789,453	706,105
Derivative instruments	108	—
Other non-current assets	993	1,563
Non-current assets	790,554	**707,668**
Total assets	**$ 903,449**	**$ 834,957**
Liabilities		
Accounts payable and accrued liabilities	$ 4,362	$ 5,043
Distributions payable to Unitholders	4,790	19,230
Performance fees payable	4,916	5,918
Current portion of credit facility	56,250	48,750
Current portion of unit-based compensation liability	3,466	1,499
Other current liabilities	1,595	1,241
Current liabilities	75,379	**81,681**
Credit facility	180,724	96,728
Preferred Securities	94,327	93,250
Derivative instruments	—	1,089
Unit-based compensation liability	1,312	712
Total liabilities	**$ 351,742**	**$ 273,460**

Royalty assets

As at March 31, 2024, the net book value of our royalty assets was $789,453 (December 31, 2023 – $706,105), net of accumulated amortization and impairment of $216,495 (December 31, 2023 – $186,955). During the three months ended March 31, 2024, the Trust recorded additions to the cost of its royalty assets totaling $112,888 (December 31, 2023 – $383,713) related to the Omidria royalty amendment, as described on page 5 of this MD&A. During the year ended December 31, 2023, the Trust wrote off the cost and related accumulated amortization of $7,318 and $7,318, respectively, related to the fully amortized FluMist royalty asset as the royalty arrangement had expired. There was no change to the net book value of the royalty assets as a result of this write off. In addition, the Trust recorded a disposition to the cost of its royalty assets of $100,616 and related accumulated amortization of $1,166 related to the Tzield royalty sale, as described on page 6 of this MD&A, during 2023.

During three months ended March 31, 2024, the Trust recognized an impairment loss of $4,451 related to the Oracea royalty asset, as described on page 5 of this MD&A. The impairment loss is recognized in the consolidated statements of net earnings and comprehensive earnings. The recoverable amount of Oracea is $19,665 as at March 31, 2024 and is based on a value in use calculation. The Trust determined the recoverable amount of the asset using a discounted cash flow model based on forecasted royalties and a discount rate of 12%. The carrying value of Oracea prior to the recognition of the impairment loss exceeded the recoverable amount, and as a result the difference of $4,451 was recorded as an impairment loss.

During the year ended December 31, 2023, the Trust recognized an impairment loss of $9,216 related to the Natpara royalty asset, as described on page 4 of this MD&A. The impairment loss is recognized in the consolidated statements of net earnings and comprehensive earnings. The recoverable amount of Natpara was $2,419 as at December 31, 2023 and is based on a value in use calculation. The Trust determined the recoverable amount of the asset using a discounted cash flow model based on forecasted royalties and a discount rate of 8%. The carrying value of Natpara prior to the recognition of the impairment loss exceeded the recoverable amount, and as a result the difference of $9,216 was recorded as an impairment loss.

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

Distributions payable to Unitholders

As at March 31, 2024, the Trust had distributions payable of $4,790, representing a quarterly cash distribution declared on February 28, 2024 to Unitholders of record as at March 31, 2024, which was paid on April 19, 2024.

As at December 31, 2023, the Trust had distributions payable of $19,230, representing a quarterly cash distribution declared on November 13, 2023 and a special cash distribution declared on December 20, 2023 to Unitholders of record as at December 31, 2023, which were paid on January 19, 2024.

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

Subsequent to March 31, 2024, the board of trustees declared a quarterly distribution of $0.0850 per Unit to Unitholders of record as at June 30, 2024 and payable on July 19, 2024.

Credit facility and Preferred Securities

Credit facility

Our amended and restated credit agreement, dated as of April 20, 2022, as further amended from time to time, is comprised of (i) a $375,000 acquisition credit facility; (ii) a $100,000 term credit facility; and (iii) a $25,000 working capital credit facility (collectively, the "**credit facility**"). The interest rate under the amended and restated credit agreement is equal to the Secured Overnight Financing Rate ("**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 is 0.40% to 0.55% based on our leverage ratio, and the maturity date is October 31, 2026, which may be extended by one-year increments subject to obtaining approval from the lenders.

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, 2024 (December 31, 2022 – nil).

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

	As at March 31, 2024			As at December 31, 2023
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	$ 375,000	$ 226,312	$ 148,688	$ 70,812
Term credit facility	100,000	—	90,812	77,500
Working capital credit facility	25,000	25,000	—	—
	$ 500,000	$ 251,312	$ 239,500	$ 148,312
Deferred transaction costs, net of amortization	n/a	n/a	(2,526)	(2,834)
Total	$ 500,000	$ 251,312	$ 236,974	$ 145,478
Current portion of credit facility			$ 56,250	$ 48,750
Long-term portion of credit facility			180,724	96,728
Total			$ 236,974	$ 145,478

The increase in the carrying amount of the credit facility is attributed to a drawing made on January 3, 2024 of $115,000 from the acquisition credit facility to fund the amendment to the Omidria royalty agreement, as described on page 5 of this MD&A.

During the three months ended March 31, 2024, the Trust made total credit facility repayments of $23,813 (2023 – $89,377), which did not include any voluntary repayments (2023 – $68,155).

The following table presents expected principal repayments to be made until the maturity of the amended credit agreement as at March 31, 2024:

	Total
Remainder of: 2024	42,188
Full year: 2025	56,250
Full year: 2026	141,062
	$ 239,500

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 agreement. Substantially all of the assets of the Trust are pledged as collateral under the amended credit agreement. As at March 31, 2024, the Trust was in compliance with all covenant requirements under the amended credit agreement.

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

Interest Rate Swap

On August 31, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of $100,000 of the credit facility. The interest earned on the interest rate swap partially offsets the interest payable on the credit facility. During the three months ended March 31, 2024, the Trust recorded total interest earned on the interest rate swap of $180 (2023 – nil).

Preferred Securities

On February 8, 2023, the Trust completed the 2023 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 of the 2023 Warrants. The proceeds were used to finance transactions and repay amounts owing under the Trust's amended credit agreement. The 2023 Warrants are further described on page 24 of this MD&A. The 2023 Preferred Securities were the unsecured, subordinated debt securities of the Trust. The 2023 Preferred Securities initially paid cash interest at a rate of 7.04% per annum on the principal amount of the 2023 Preferred Securities, payable semi-annually on June 30 and December 31 of each year.

The Series A Preferred Securities had a maturity date of February 8, 2073 and the Series B Preferred Securities had a maturity date of on December 27, 2027. The Series A Preferred Securities were redeemable at par, at the option of the Trust, at any time from and after December 27, 2027. The 2023 Preferred Securities were not 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 2023 Preferred Securities were subject to a mandatory redemption.

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

The Trust initially recognized the 2023 Preferred Securities using a discount rate of 12.77%, which is indicative of the fair market value of the 2023 Preferred Securities at the time of issuance. The carrying amount of the 2023 Preferred Securities is accreted to its par value up until December 27, 2027, which is the date at which the Series A Preferred Securities could be redeemed by the Trust and the stated maturity date for the Series B Preferred Securities. Deferred transaction costs of $3,171 were also initially recognized and are being amortized using the effective interest rate method over the same period as the 2023 Preferred Securities accretion period.

The carrying amount of the 2023 Preferred Securities is presented below:

		As at March 31, 2024		As at December 31, 2023
Series A	$	**80,146**	$	79,377
Series B		**16,670**		16,510
	$	**96,816**	$	**95,887**
Deferred transaction costs, net of amortization		**(2,489)**		(2,637)
Total	$	**94,327**	$	**93,250**

Subsequent to March 31, 2024, the Trust completed a refinancing of the 2023 Private Placement and the 2023 Warrants. As a result of the refinancing, holders of the 2023 Preferred Securities and 2023 Warrants received $135,202 of new Series C Preferred Securities and 1,749,996 new warrants having an exercise price representing a 20% premium to the five day volume-weighted average price of the Trust's Units. The 2023 Preferred Securities were cancelled and the 2023 Warrants were redeemed upon completion of the refinancing, with holders entitled to receive accrued and unpaid interest on the 2023 Preferred Securities up to and excluding such date.

The Series C Preferred Securities are unsecured, subordinated debt securities of the Trust and have a principal amount of $135,202. The Series C Preferred Securities have substantially the same terms as the Series A Preferred Securities, but will mature on April 23, 2074. The Series C Preferred Securities initially pay cash interest at a rate of 7.50% per annum on the principal amount of the Series C Preferred Securities outstanding, payable semi-annually on April 30 and October 31 of each year. The Series C Preferred Securities are not redeemable by the Trust prior to April 30, 2029, except in the event of a change in control of the Trust.

The interest rate on the Series C Preferred Securities will increase to 10% per annum if any of the Series C Preferred Securities are outstanding on April 30, 2029, and will be subject to an annual increase of 1.5% per annum if any of the Series C Preferred Securities remain outstanding on each one year anniversary of such date, up to a specified cap.

(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, 2024 and 2023.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash and cash equivalents – beginning of period	**$ 62,835**	**$ 36,686**
Cash provided by operating activities	**56,074**	20,011
Cash provided by financing activities	**64,101**	59,054
Cash used in investing activities	**(116,448)**	(105,297)
Change in cash and cash equivalents	**3,727**	**(26,232)**
Cash and cash equivalents – end of period	**$ 66,562**	**$ 10,454**

During the three months ended March 31, 2024, the Trust generated cash flows provided by operating activities of $56,074 (2023 – $20,011) primarily related to cash royalties received.

For the three months ended March 31, 2024, the Trust generated cash flows of $64,101 from financing activities. The Trust borrowed $115,000 from its credit facility to fund the amendment to the Omidria royalty agreement, as described on page 5 of this MD&A. The Trust also used cash flows of $23,813 to make principal repayments, $7,850 to make related interest payments and paid cash distributions of $19,230 to Unitholders. For the three months ended March 31, 2023, the Trust generated $59,054 in cash provided by financing activities. The Trust completed the 2023 Private Placement, as described on page 20 of this MDA. The 2023 Private Placement provided proceeds to the Trust of $92,003, net of transaction fees. The Trust borrowed $70,000 from its credit facility to fund royalty asset transactions 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 (as hereinafter defined), and paid cash distributions of $2,834 to Unitholders.

For the three months ended March 31, 2024, the Trust used cash flows of $116,448 in investing activities. The Trust used cash flows of $115,000 for the Omidria royalty amendment, as described on page 5 of this MD&A. The Trust also used cash flows of $1,448 to pay for the royalty asset transaction costs. 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 transactions, as described on page 6 of this MD&A. During the same period, the Trust also received cash interest of $1,633 related to the loan receivable.

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, 2024, 56,358,240 Units (December 31, 2023 – 56,358,240 Units) were outstanding at a cost of $561,503 (December 31, 2023 – $561,503).

The following table outlines the changes in the number of Units outstanding from December 31, 2022 to March 31, 2024:

	Units	Weighted Average Cost per Unit	Total Cost
Balance – December 31, 2022	**37,790,395**	**n/a**	**$ 373,577**
Issuance of Units:			
Units issued on the settlement of vested 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**
Issuance of Units:			
Follow-on public offerings	18,653,000	$ 8.12	$ 151,456
Units issued on the settlement of Restricted Units	227,792	$ 8.94	$ 2,037
Unit issuance costs	n/a	n/a	$ (6,924)
Repurchase and cancellation of Units – NCIB	(6,200)	$ 5.48	$ (34)
Unit distributions to Unitholders	4,651,782	$ 9.26	$ 43,058
Consolidation of Units	(4,651,782)	n/a	n/a
Balance – December 31, 2023	**56,358,240**	**n/a**	**$ 561,503**
No activity			
Balance – March 31, 2024	**56,358,240**	**n/a**	**$ 561,503**

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

Follow-on offering of Units

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

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

Settlement of vested Restricted Units

The following table outlines the Units issued upon settlement of vested RUs during the three months ended March 31, 2023, the period from April 1, 2023 to December 31, 2023, and three months ended March 31, 2024:

	Units Issued on Settlement of Restricted Units		
	Three months ended March 31, 2023	Nine months ended December 31, 2023	Three months ended March 31, 2024
Restricted Units Grant Date:			
September 10, 2021	—	12,779	—
October 8, 2021	—	8,727	—
November 30, 2021	—	39,304	—
June 10, 2022	—	8,805	—
September 10, 2022	—	13,424	—
November 22, 2022	12,706	3,867	—
August 17, 2023	—	140,886	—
Total	**12,706**	**227,792**	—

Subsequent to March 31, 2024, on April 1, 2024, the Trust issued an additional 9,938 Units upon the settlement of vested RUs which were granted on January 10, 2024 and the related distribution equivalents.

Normal course issuer bid

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

On November 13, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024 ("**November 2023 NCIB**"). In connection with the November 2023 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP. As of March 31, 2024 no Units were repurchased under the November 2023 NCIB.

As at March 31, 2024, in aggregate, the Trust had acquired and cancelled 2,757,163 Units at an average Unit price of $5.26, totaling $14,510 under all current and previous normal course issuer bid plans ("**NCIB Plans**").

As at March 31, 2023, the Trust had 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 was less than the estimate as at March 31, 2023 resulting in a subsequent decrease in other current liabilities and an increase in other equity.

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, 2024, no Preferred Units had been issued or were outstanding (2023 – nil).

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

Warrants

In connection with the 2023 Private Placement, as described on page 20 of this MD&A, the Trust issued 6,369,180 Warrants to the 2023 Private Placement investors. Each 2023 Warrant entitled 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 2023 Warrant on February 8, 2028. The 2023 Warrant exercise price represented a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The 2023 Warrants were not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the 2023 Warrants are listed on the TSX. The 2023 Warrants were included in other equity. Transaction costs associated with the issuance incurred in 2023 totaled $79 and were recorded as a reduction in other equity.

The fair value of the 2023 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 2023 Warrants include: (i) exercise price of $11.62; (ii) average risk-free interest rate of 3.558%; (iii) expected 2023 Warrant life of five years; (iv) average expected volatility of 30%; and (v) expected distribution yield of 5.579%.

As at March 31, 2024, the net value of the 2023 Warrants recognized in other equity was $2,150 (December 31, 2023 – $2,150).

Subsequent to March 31, 2024, the Trust completed a refinancing of the 2023 Preferred Securities and the 2023 Warrants. As a result of the refinancing, the 2023 Warrants have been redeemed and 1,749,996 2024 Warrants were issued. Each 2024 Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of $15.00 at any time until the expiry of the 2024 Warrant on April 23, 2029. The 2024 Warrant exercise price represents a 20% premium to the volume-weighted average price of the Trust's Units for the five trading days ending April 12, 2024.

Distributions

The following table presents cash and Unit distributions made by the Trust during three months ended March 31, 2024 and year ended December 31, 2023:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
2024				
Q1 2024 – Quarterly cash distribution	March 31, 2024	April 19, 2024	$ **0.0850**	$ **4,790**
Total			$ **0.0850**	$ **4,790**
2023				
Q1 2023 – Quarterly cash distribution	March 31, 2023	April 20, 2023	$ 0.0750	$ 2,811
Q2 2023 – Quarterly cash distribution	June 30, 2023	July 20, 2023	$ 0.0750	$ 2,812
Q2 2023 – Special cash distribution(i)	June 30, 2023	July 20, 2023	$ 0.5334	$ 20,000
Q3 2023 – Quarterly cash distribution	September 30, 2023	October 20, 2023	$ 0.0750	$ 4,224
Q4 2023 – Quarterly cash distribution	December 31, 2023	January 19, 2024	$ 0.0750	$ 4,227
Q4 2023 – Special cash distribution(ii)	December 31, 2023	January 19, 2024	$ 0.2662	$ 15,003
Q4 2023 – Unit distribution(iii)	December 31, 2023	n/a	$ 0.7640	$ 43,058
Total			$ 1.8636	$ 92,135

(i) On April 27, 2023, the board of trustees declared a special cash distribution totaling $20,000 to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023.
(ii) On December 20, 2023, the board of trustees declared a special cash distribution totaling $15,003 to Unitholders of record as at December 31, 2023, which was paid on January 19, 2024.
(iii) On December 20, 2023, the board of trustees declared a special Unit distribution of $0.7640 per Unit, totaling $43,058 to Unitholders of record as at December 31, 2023, which was issued on December 31, 2023. 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, 2024, the board of trustees declared distributions totaling $4,790 (2023 – $2,811). During the year ended December 31, 2023, the board of trustees declared distributions totaling $92,135, comprised of cash distributions of $49,077 and a Unit distribution of $43,058.

On May 6, 2024, the board of trustees declared a quarterly cash distribution of $0.0850 per Unit to Unitholders of record as at June 30, 2024 and payable on July 19, 2024.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2024, the Trust's capital was $900,048 (December 31, 2023 – $807,931) and consisted of its Unitholders' capital of $561,503 (December 31, 2023 – $561,503), Preferred Securities, prior to deduction of deferred transaction costs net of amortization, of $96,816 (December 31, 2023 – $95,887), Warrants of $2,229 (December 31, 2023 – $2,229) and amended credit agreement of $239,500, prior to deduction of deferred transaction costs net of amortization (December 31, 2023 – $148,312).

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 flows; (iii) debt and other financing; (iv) the issuance of Trust Units to royalty sellers; and (v) future public equity issuances.

The Trust’s primary ongoing source of liquidity is cash provided by operating activities. The Trust generated $56,074 of cash provided by operating activities during the three months ended March 31, 2024.

The Trust believes its existing capital resources and cash provided by operating activities will continue to allow the Trust to meet its operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of its credit facility for the foreseeable future.

As at March 31, 2024, the Trust was in compliance with all externally imposed capital requirements.

Subsequent to March 31, 2024, the Trust completed a refinancing of the 2023 Preferred Securities and the 2023 Warrants. As a result of the refinancing, holders of the 2023 Preferred Securities and 2023 Warrants received $135,202 of new Series C Preferred Securities and 1,749,996 2024 Warrants having an exercise price representing a 20% premium to the five day volume-weighted average price of the Trust's Units. The 2023 Preferred Securities have been cancelled and the 2023 Warrants have been redeemed upon completion of the refinancing, with holders entitled to receive accrued and unpaid interest on the 2023 Preferred Securities up to and excluding such date, as described on page 20 of this MD&A.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

On September 9, 2022, the Trust bought royalties on the sales of Zejula. 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 bought royalties on the sales of Xenpozyme. 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 April 3, 2023, the Trust entered into the Empaveli/Syfovre transaction, as described on page 6 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 $4,000 in the event that Empaveli/ Syfovre sales exceed certain thresholds within a predefined period of time.

On August 14, 2023, the Trust entered into the Orserdu II transaction, as described on page 7 of this MD&A. In accordance with the royalty agreement, the Trust is obligated to pay a $10,000 milestone to the royalty seller upon the occurrence of pre-specified events.

On August 16, 2023, the Trust entered into a pledge agreement with Mayo Clinic. In accordance with the terms of the agreement, the Trust intends to contribute $5,000 in total ($1,000 annually, payable in quarterly installments) to Mayo Clinic to directly support and further the Center for Regenerative Biotherapeutics. To date, the Trust has paid a total of $750.

On February 1, 2024, the Trust amended the existing Omidria royalty agreement, as described on page 5 of this MD&A. In accordance with the terms of the amended royalty agreement, the royalty seller may be entitled to receive up to $55,000 in potential sales-based milestone payments.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at March 31, 2024.

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 its 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(n) to the Trust’s 2023 annual consolidated financial statements. During the three months ended March 31, 2024, the Trust recorded management fees to its manager of $4,164 (2023 – $1,676).

Performance fees

The Trust’s 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(o) to the Trust’s 2023 annual consolidated financial statements.

The Trust recorded performance fees of $231 during the three months ended March 31, 2024 (2023 – nil) as the calculation for the accrued performance fees recognized in the fourth quarter of 2023 was finalized. During the fourth quarter of 2023, conditions for performance fee payments were met as a result of the milestone royalty income earned from Orserdu I, Orserdu II and Vonjo II, as described on page 6 of this MD&A, resulting in the recognition of performance fees of $5,918 in the fourth quarter of 2023. In the first quarter of 2024, $1,233 of performance fees were paid (2023 – nil) and the remaining balance is expected to be paid in future quarters.

Key management compensation

During the three months ended March 31, 2024 and 2023, the Trust issued compensation to members of the board of trustees, as described on page 12 of this MD&A.

During the three months ended March 31, 2024, the Trust granted 63,811 RUs to certain officers of the Trust which vest equally on June 15, 2024 and June 15, 2025. During the year ended December 31, 2023, the Trust issued 32,730 RUs which vested immediately and were settled, net of withholding taxes, with 15,209 Units issued. To date, the Trust has issued 24,964 Units on the vesting of the RUs, of which 2,584 were issued in 2021, 3,376 were issued in 2022 and 19,004 were issued in 2023. During the three months ended March 31, 2024, the Trust recorded unit-based compensation expense of $276 (2023 – $6) related to the 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 2023 annual consolidated financial statements. There were no changes to the accounting policies in the current period.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of these consolidated financial statements, the Trust has used consistent judgment and estimates as described in note 3 to the Trust's 2023 annual consolidated financial statements.

SUBSEQUENT EVENTS

Settlement of vested Restricted Units

On April 1, 2024, the Trust issued 9,938 Units upon the settlement of vested RUs which were granted on January 10, 2024 and the related distribution equivalents, as described on page 22 of this MD&A.

Preferred Securities and Warrants Refinancing

On April 23, 2024, the Trust completed a refinancing of the 2023 Preferred Securities and the 2023 Warrants. As a result of the refinancing, holders of the 2023 Preferred Securities and 2023 Warrants received $135,202 of new Series C Preferred Securities and 1,749,996 2024 Warrants having an exercise price representing a 20% premium to the five day volume-weighted average price of the Trust's Units. The 2023 Preferred Securities have been cancelled and the 2023 Warrants have been redeemed upon completion of the refinancing, with holders entitled to receive accrued and unpaid interest on the 2023 Preferred Securities up to and excluding such date, as described on page 20 of this MD&A.

2024 second quarter distribution declared

On May 6, 2024, the board of trustees declared a quarterly distribution of $0.0850 per Unit to Unitholders of record as at June 30, 2024 and payable on July 19, 2024.