DRI HEALTHCARE TRUST

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

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INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) *(in thousands of U.S. dollars)*			As at June 30, 2021		As at December 31, 2020
Assets					
Cash and cash equivalents		$	115,583	$	—
Royalties receivable			29,679		—
Funds held in trust	note 6, 10		30,095		—
Derivative assets	note 7		294		—
Other current assets			351		—
Current assets			176,002		—
Royalty assets, net of accumulated amortization	note 8		273,664		—
Restricted cash	note 9		1,154		—
Other non-current assets			142		—
Non-current assets			274,960		—
Total assets		$	450,962	$	—
Liabilities					
Accounts payable and accrued liabilities		$	3,814	$	—
Distributions payable to unitholders	note 11		1,504		—
Current portion of secured notes	note 10		26,401		—
Current liabilities			31,719		—
Long-term portion of secured notes	note 10		32,807		—
Non-current liabilities			—		—
Total liabilities			64,526		—
Equity					
Unitholders' capital	note 11		378,044		—
Retained earnings and accumulated other comprehensive earnings			8,392		—
Total equity			386,436		—
Total liabilities and equity		$	450,962	$	—

See accompanying notes to the unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS AND OTHER COMPREHENSIVE EARNINGS

(unaudited) *(in thousands of U.S. dollars except per unit data)*		**Three months ended June 30, 2021**	**Six months ended June 30, 2021**
Income			
Royalty income	note 8	$ 23,448	$ 36,139
Interest income		3	3
		23,451	36,142
Expenses			
Amortization of royalty assets	note 8	11,005	17,798
Management fees	note 18	2,167	3,050
Interest expense	note 10	476	728
Servicer fees	note 18	400	578
Deal investigation and research costs		365	929
Other operating expenses	note 13	1,571	2,573
Net loss (gain) on interest rate derivatives	note 7	1	(3)
Net loss (gain) on foreign exchange derivatives	note 7	91	(77)
		16,076	25,576
Net earnings and comprehensive earnings		$ 7,375	$ 10,566
Net earnings and comprehensive earnings per unit			
Basic and diluted	note 12	$ 0.18	$ 0.36

See accompanying notes to the unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) *(in thousands of U.S. dollars)*		Unitholders' Capital	Retained Earnings	Total Equity
Balance - October 21, 2020 (date of formation)		$ —	$ —	$ —
Issuance of units	note 11	—	—	—
Net earnings (loss)		—	—	—
Balance - December 31, 2020		$ —	$ —	$ —
Issuance of units - private offering	note 11	**34,730**	**—**	**34,730**
Issuance of units - public offering	note 11	**365,270**	**—**	**365,270**
Unit issuance costs	note 11	**(21,956)**	**—**	**(21,956)**
Distributions to unitholders	note 11	**—**	**(2,174)**	**(2,174)**
Net earnings		**—**	**10,566**	**10,566**
Balance - June 30, 2021		**$ 378,044**	**$ 8,392**	**$ 386,436**

See accompanying notes to the unaudited interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(in thousands of U.S. dollars)*			**Six months ended June 30, 2021**
Operating Activities			
Net earnings		$	10,566
Adjustment to net earnings for:			
Interest income			(3)
Interest expense	note 10		728
Amortization of royalty assets	note 8		17,798
Net gain on interest rate derivatives	note 7		(3)
Net gain on foreign exchange derivatives	note 7		(77)
			29,009
Changes in non-cash working capital:			
Royalties receivable			25,511
Funds held in trust	note 6		(29,967)
Other current assets			(156)
Other non-current assets			(143)
Accounts payable and accrued liabilities			1,143
			(3,612)
Cash provided by operating activities		$	25,397
Financing Activities			
Issuance of unitholders' capital	note 11	$	400,000
Unit issuance costs	note 11		(20,203)
Cash distributions paid	note 11		(670)
Repayment of secured notes	note 10		(10,716)
Cash interest paid	note 10		(548)
Change in restricted cash	note 9		281
Cash provided by financing activities		$	368,144
Investing Activities			
Purchase of net assets in subsidiaries, net of cash	note 5	$	(277,963)
Other investing activities			5
Cash used in investing activities		$	(277,958)
Increase in cash and cash equivalents		$	115,583
Cash and cash equivalents, beginning of the period			—
Cash and cash equivalents		$	115,583

See accompanying notes to the unaudited interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

DRI Healthcare Trust was formed to provide unitholders with differential exposure to the pharmaceutical and biotechnology industries through ownership and acquisitions of pharmaceutical royalties. DRI Capital Inc. (“DRI Capital”, our “manager”) acts as the manager for the Trust pursuant to the terms of a management agreement.

DRI Healthcare Trust’s units became listed on the Toronto Stock Exchange in Canadian dollars under the symbol “DHT.UN” and in U.S. dollars under the symbol “DHT.U” effective February 11, 2021, pursuant to its initial public offering, as described in note 11.

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

All amounts included in the notes to these unaudited interim consolidated statements are in thousands of U.S. dollars unless otherwise noted.

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

The unaudited interim consolidated financial statements were authorized for issuance by the board of trustees on August 5, 2021.

NOTE 1 | BASIS OF PREPARATION

(a) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”).

(b) Basis of Measurement

These interim consolidated financial statements have been prepared on a historical cost basis, adjusted for the revaluation of certain financial assets and liabilities recorded at fair value through net earnings (loss).

(c) Basis of Consolidation

These interim consolidated financial statements represent the accounts of DRI Healthcare Trust and its directly or indirectly owned subsidiaries. Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of operations of subsidiaries are included in the interim consolidated financial statements from the date on which the Trust obtains control. All significant intercompany balances and transactions have been eliminated.

These interim consolidated financial statements include the accounts of DRI Healthcare Trust and its subsidiaries, as presented below.

Entity	Date of Control	Jurisdiction of Organization	Economic Interest[(i)]
DRI Healthcare ICAV	February 2021	Ireland	100%
Drug Royalty III, L.P.	February 2021	Delaware, United States	100%
Drug Royalty III LP 2	February 2021	Delaware, United States	100%
Drug Royalty III LP 1	February 2021	Delaware, United States	100%
Drug Royalty LP 2	February 2021	Delaware, United States	100%
Drug Royalty LP 1	February 2021	Delaware, United States	100%
Drug Royalty LP 3	February 2021	Cayman Islands	100%
ROC Royalties S.à r.l.	February 2021	Luxembourg	100%
DRC Management III LLC 1	February 2021	Delaware, United States	100%
DRC Management III LLC 2	February 2021	Delaware, United States	100%
DRC Management LLC 2	February 2021	Delaware, United States	100%
Drug Royalty III GP, LLC	February 2021	Delaware, United States	100%
DRC Springing III LLC	February 2021	Delaware, United States	100%

(i) Economic interest can be held directly or indirectly through wholly-owned subsidiaries.

(d) Functional and Presentation Currency

The functional and presentation currency of the Trust is the United States dollar ("U.S. dollar").

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within other liabilities in the consolidated statements of financial position.

(b) Royalties Receivable

Royalties receivable is recognized if an amount of unconditional consideration is due from a counterparty. Royalties receivable is recognized initially at fair value and subsequently measured at amortized cost, less loss allowances. The Trust applies the simplified approach for measuring the loss allowance by applying a lifetime expected loss allowance for all royalties receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance might be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

A credit loss is recorded in net comprehensive earnings (loss) with an offsetting amount recorded as an allowance against royalties receivable on the statement of financial position. When a receivable is deemed permanently uncollectible, the receivable is written off against the allowance account.

(c) Royalty Assets

Royalty assets represent the contractual right to receive, directly or indirectly, a royalty payment, license fee or any other form of compensation or benefit arising from or contingent upon the use of any patent, copyright or any other form of intellectual property or other right relating to pharmaceutical drugs, devices or delivery technologies.

In accordance with IFRS, royalty assets are assessed based on the terms of each royalty arrangement to determine whether they meet the definition of financial or intangible assets. The Trust's royalty assets are recognized as intangible assets. Acquired royalty assets are measured initially at the fair value of the consideration paid. Royalty assets are subsequently amortized over the useful life of the asset and are presented net of any impairment.

A royalty asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of a royalty asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in net comprehensive earnings (loss) when the asset is derecognized.

Amortization of royalty assets
Royalty assets with finite lives are amortized over the economic useful life of the asset on a straight-line basis. The expected economic useful life of the asset takes into consideration the contractual terms of the royalty entitlement and reflects the expected pattern of consumption of future economic benefits embodied in the asset. Expected useful life is separately considered for each royalty asset and is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Impairment of royalty assets
The Trust assesses, at the end of each reporting date, whether there are indications that its royalty assets may be impaired. If any such indications exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows for the duration of royalty entitlement are discounted to their present value using appropriate discount rates that reflect current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in net comprehensive earnings (loss).

The Trust assesses, at the end of each reporting date, whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment reversal is recognized in net comprehensive earnings (loss).

(d) Recognition and Derecognition of Financial Instruments

Purchases and sales of financial assets are recognized on the trade date, being the date on which the Trust commits to purchase or sell the asset.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or the contractual rights to the cash flows are transferred. Financial liabilities are derecognized when the liability is extinguished through the discharge, cancellation or expiration of the contract.

(e) Financial Instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. At initial recognition, all financial assets classified as amortized cost, fair value through profit or loss ("**FVTPL**") and fair value through other comprehensive income ("**FVOCI**") are measured at fair value. The Trust classifies its financial assets in the following categories:

- Financial assets at amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held in a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that

are solely payments of principal and interest on the principal amount outstanding. Financial assets within this category are subsequently measured at amortized cost using the effective interest method.
- Financial assets at FVTPL: Financial assets not classified as amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Trust may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value, with net gains or losses, including any interest or dividend income, recognized through profit or loss.

Financial liabilities are classified as measured at amortized cost or FVTPL. Once the classification of a financial liability has been determined, reclassification is not permitted.
- Financial liabilities at amortized cost: A financial liability is measured at amortized cost using the effective interest method if it is not designated as FVTPL. Interest expense and foreign exchange gains and losses are recognized in profit or loss.
- Financial liabilities at FVTPL: A financial liability is classified as FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss. For financial liabilities classified as FVTPL, changes in credit risk will be recognized in other comprehensive income, with the remainder of changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Trust:
- has a currently and legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(f) Derivative Financial Instruments

Derivatives are initially recognized at fair value and are subsequently measured at fair value at each reporting date. The Trust does not account for its derivative assets as effective hedges.

The Trust enters into a variety of derivative contracts such as foreign exchange and interest rate derivatives to manage its exposure to currency volatility inherent in its royalty agreements, as well as its exposure to volatility in the market interest rates related to its secured notes. Foreign exchange derivatives are measured at the present value of future cash flows based on the exchange rates at the end of the period. Interest rate derivatives are measured at the present value of estimated future cash flows based on observable yield curves.

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13, *Fair value measurement,* establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Trust. Unobservable inputs are inputs that reflect the Trust's assumptions as to what market participants would use in pricing the asset or liability and are based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:
- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- Level 2: Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels in the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Trust's investments in currency and interest rate derivatives are considered level 2 financial instruments.

(h) Provisions

Provisions for legal claims are recognized when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The expense relating to a provision is included in net comprehensive earnings (loss) net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(i) Income Taxes

The Trust is treated as a "mutual fund trust", as defined in the Income Tax Act (Canada). The Trust is not subject to income taxes due to the nature of its organization, given that all the Trust's income is distributed to unitholders in cash or by way of additional units each year. Income distributed by the Trust is included in the tax returns of the unitholders.

(j) Unitholders' Capital

The Trust has classified its units as equity pursuant to the provisions of IAS 32, *Financial instruments: Presentation*, on the basis that the units meet all of the criteria in IAS 32 for such classification. As at June 30, 2021, the Trust did not have any issued or outstanding preferred units.

Incremental costs directly attributable to the issuance of new units or preferred units are shown in equity as a reduction from the proceeds of issuance of such units.

(k) Distributions to Unitholders

Distributions to unitholders of DRI Healthcare Trust authorized by the board of trustees on or before the end of the reporting period but not distributed at the end of the reporting period are recognized as a liability in the period in which the distributions are authorized.

(l) Royalty Income

The Trust records the amount of royalty payments received or receivable as royalty income. The Trust typically earns royalties as a percentage of sales revenue generated by a third party at the time that the sales occur. The third parties, however, report and pay royalties owed for sales in any given quarter after the conclusion of that quarter, and, in some instances, although royalties are reported quarterly, payments are made on a semi-annual or annual basis.

The Trust estimates and records the royalty income earned for sales by third parties in the period in which such sales occur, based on reasonable estimates of such amounts. When reasonable estimates cannot be made, the Trust records income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties.

The Trust's royalty income is based on the contractual rights to revenue streams that are based on the related underlying patent or exclusivity protection of the pharmaceutical products invested in by the Trust.

(m) Earnings per Unit

Basic earnings per unit is calculated by dividing the profit attributable to equity holders by the weighted average number of units outstanding during the period, excluding treasury units, if any. The Trust has not issued any dilutive equity instruments.

(n) Management Fees

DRI Capital acts as the manager of the Trust pursuant to a management agreement. Under the management agreement, the Trust is required to pay quarterly management fees to our manager or its affiliates equal to 6.50% of total cash royalty 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. Security investments consist of (i) the securities (including controlling and non-controlling interests, equity, debt and hybrid securities) of entities in the pharmaceutical, biopharmaceutical, medical or healthcare industry or operating assets thereof (other than royalties), (ii) any securities, investments or contracts that may provide a hedge for the investments referred to in clause (i) and (iii) other assets and investments determined by the manager to be related to the investments referred to in (i) and (ii).

Our manager is entitled to receive management fees regardless of whether the Trust realizes gains on the eventual sale or realization of royalty assets. Management fees are intended to fund the operating and personnel expenses of our manager.

Management fees are payable quarterly in advance as of the first business day of each fiscal quarter based on the estimated projected cash receipts from royalty assets and the estimated projected security investment values as of such date. Management fees are recalculated based on the actual cash receipts from royalty assets and the actual security investment values following the date on which the Trust's financial statements are finalized. The excess or shortfall in management fees paid in advance is received from or repaid to our manager on or prior to the next date the management fees are due.

(o) Performance Fees

DRI Capital is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement. DRI Capital is not entitled to performance fees on royalty assets acquired as part of the acquisition transaction described in note 5. Performance fees are structured on a portfolio-by-portfolio basis, with portfolios based on a group of investments made during each consecutive two-year period, to mitigate the risk that performance fees are paid on a profitable investment even though, in the aggregate, the investments made over a two-year period are not profitable, and further to reduce the risk that performance fees are payable at a time when our portfolio of investments is not performing well overall.

Performance fees are determined at the end of each fiscal period for each portfolio equal to 20% of the net economic profit for such portfolio for the applicable period. Net economic profit is defined as the aggregate cash receipts for all new portfolio investments in such portfolio less total expenses. Total expenses are defined as interest expense, operating expense and recovery of acquisition cost in respect of such portfolio.

The manager may, subject to obtaining any applicable regulatory approval, elect to receive payment for the performance fees in the form of new units issued by the Trust instead of in cash.

The payment of any performance fees to our manager will be subject to each of the following three conditions:

(i) Condition One: Cumulative net economic profit, defined as the difference between the aggregate cash receipts for all new portfolio investments in such portfolio from the date of acquisition less total expenses from the date of acquisition, for such portfolio for all periods prior to the relevant quarterly determination date is positive. Cumulative net economic profit is positive if the aggregate cash receipts for all investments in a portfolio for all prior periods are greater than the total expenses allocated to such portfolio for all prior periods.

(ii) Condition Two: The aggregate projected cash receipts, calculated based on analyst consensus, for all investments in such portfolio, for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected total expenses for all investments in such portfolio through the expected termination dates of all investments in such portfolio.

(iii) Condition Three: The aggregate projected cash receipts, calculated based on analyst consensus, for all investments in all portfolios, for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected total expenses for all such portfolios through the termination or disposition dates of all investments in all such portfolios.

(p) Foreign Currency Translation

Foreign currency transactions are translated at the exchange rate in effect on the transaction date. Monetary assets and liabilities which are denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing at the period end date. Gains and losses resulting from translation are included in the Trust's earnings in the year in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(q) Acquisitions

At the time of acquisition of a royalty asset or a portfolio of royalty assets, the Trust evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, *Business combinations,* is only applicable if it is considered that a business has been acquired. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

When determining whether the acquisition of a royalty asset or a portfolio of royalty assets is a business combination or an asset acquisition, the Trust applies judgment as to whether the integrated set of activities and assets consists of inputs, and processes applied to those inputs, that have the ability to contribute to the creation of outputs. The Trust also considers the optional concentration test under IFRS 3 that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

If the acquisition is determined to be a business, it is accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values on the date of the exchange. The Trust recognizes non-controlling interest in acquired entities either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net asset. Acquisition-related costs are expensed as incurred. Goodwill is recognized as the excess of consideration transferred and the net identifiable assets acquired in the business combination.

When an acquisition does not represent a business, the Trust classifies the portfolio of royalty assets as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at an allocated amount of transaction consideration, including acquisition-related transaction costs, on a relative fair value basis at the date of purchase. Acquisition-related transaction costs are capitalized to the royalty assets.

NOTE 3 | USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and equity, and the related note disclosures. Actual results could differ from those estimates and such differences could be material to the interim consolidated financial statements. The estimates and underlying assumptions are reviewed by management on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Financial statement areas which require critical judgments, assumptions and estimates that could have a material impact on the interim consolidated financial statements are described below.

Royalty income

In determining royalty income earned, judgments are made with respect to the performance of the underlying products and commercial factors based on historical and expected performance, knowledge of each royalty asset and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for each royalty asset based on the Trust's contractual entitlement, which incorporates an element of uncertainty.

The estimated income recognized may differ from actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual income received becomes known.

Useful life of royalty assets

Royalty revenue recognized and amortization charges related to royalty assets are based on the estimated economic useful lives of those royalty assets. In estimating a royalty's useful life for terms that are not contractually fixed, the Trust considers a number for factors, including the strength of existing patent protection, expected entry of generic or biosimilar products or other competitive products, geographical exclusivity periods and potential patent term extensions tied to the underlying product.

The estimated useful life of the royalty assets may differ from the actual useful life of the royalty assets, which may have an impact on the carrying value of royalty assets recognized in the consolidated financial position and the amortization expense recognized in net comprehensive earnings (loss).

Impairment of Royalty Assets

The Trust reviews royalty assets for impairment at each reporting date to determine if there is any indication that an asset may be impaired. If an indication of impairment exists, the recoverable amount of the potentially impaired asset is determined. This requires the Trust to use a valuation technique to determine the extent of the impairment, if any. The Trust applies a discounted cash flow model based on forecasted royalties that gives consideration to a range of factors, including but not limited to, the nature of the investment, market conditions, current and projected royalty cash flows, and similar transactions subsequent to the acquisition of the investment. As a result, the forecasted cash flows used in the valuation of the royalty assets could differ from actual results.

Acquisitions

In business combinations and asset acquisitions, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at their respective fair values on the date of acquisition. Financial instruments, that are not publicly traded instruments are valued by an independent valuation expert using appropriate valuation techniques, which are generally based on discounting future expected cash flows using appropriate discount rates.

NOTE 4 | RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

Presentation of financial statements

Amendments to IAS 1, *Presentation of financial statements,* effective for periods beginning on or after January 1, 2023, applicable retrospectively in accordance with IAS 8, *Accounting policies and changes in accounting estimates and errors*, clarify that the classification of liabilities as current or non-current should be based on rights that were in existence at the end of the reporting period, and is unaffected by the likelihood of whether the entity will exercise its right to defer the settlement of a liability. The Trust does not believe that the application of this amendment will have a material impact on the presentation of its financial position.

NOTE 5 | ASSET ACQUISITION

On October 21, 2020, the Trust acquired a 100% interest in DRI Healthcare ICAV, an Irish collective asset management vehicle established under the laws of Ireland and authorized by the Central Bank of Ireland, for two euros (approximately two US dollars). This represented the fair value of its assets and liabilities.

On February 19, 2021, in connection with the completion of DRI Healthcare Trust’s initial public and private offerings of units, as described in note 11, the Trust, through its wholly-owned subsidiary DRI Healthcare ICAV, acquired 100% economic interests in Drug Royalty III GP, LLC, DRC Management III LLC 1, DRC Management III LLC 2, Drug Royalty III, L.P. and their wholly-owned subsidiaries, as well as 100% beneficial interests in the royalty assets held by Drug Royalty LP 1. On February 22, 2021, the Trust, through its wholly-owned subsidiary, DRI Healthcare ICAV, acquired 100% economic interests in DRC Management LLC 2, Drug Royalty LP 2 and its wholly-owned subsidiary. Collectively, these transactions are referred to as the “Asset Acquisition Transaction” in these interim consolidated financial statements. The Asset Acquisition Transaction was contemplated in the Trust’s offering document.

The total purchase price paid in the Asset Acquisition Transaction was $292,670 and was funded by the issuance of units of DRI Healthcare Trust, as described in note 11. Management has determined that the transaction does not meet the definition of a business combination as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

The following assets and liabilities were acquired in the Asset Acquisition Transaction.

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

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

NOTE 6 | FUNDS HELD IN TRUST

Cash receipts from certain royalty assets are initially deposited into an account held in trust for the indenture trustee of its secured notes. The funds are distributed to the Trust on a quarterly basis, as described in note 10.

Funds held in trust include cash and cash equivalents, which represent short-term, highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less and are carried at fair value.

NOTE 7 | DERIVATIVE INSTRUMENTS

To manage its exposure to fluctuating interest rates on the secured notes, as described in note 10, the Trust maintains a series of interest rate cap contracts. To manage its exposure to fluctuations in foreign exchange rates related to certain royalty assets, the Trust maintains foreign exchange option contracts. As at June 30, 2021, the interest rate cap and foreign exchange option contracts outstanding were as follows (December 31, 2020 – none):

Instrument	Latest Expiry Date	Notional Value	Fair Value	Increase (Decrease) in Fair Value	
				Three months ended June 30, 2021	Six months ended June 30, 2021
Interest rate cap	July 15, 2024	$ 29,504	$ 5	$ (1)	$ 3
Foreign exchange options	October 3, 2023	$ 16,155	289	(91)	77
			$ 294	$ (92)	$ 80

The Trust does not apply hedge accounting. Changes in the fair value of interest rate caps and foreign exchange options are recognized in net earnings (loss).

NOTE 8 | ROYALTY ASSETS

The following table presents a breakdown of the royalty assets. Royalty assets were acquired by the Trust, as described in note 5.

Cost		
As at January 1, 2021		—
Additions		291,462
As at June 30, 2021	$	291,462
Accumulated amortization		
As at January 1, 2021		—
Amortization		17,798
As at June 30, 2021	$	17,798
Net book value		
As at January 1, 2021		—
As at June 30, 2021	$	273,664

Amortization for the three months ended June 30, 2021 was $11,005.

The following table presents further details about the products underlying our royalty streams. During 2021, the Trust has recorded royalty income from February 19, 2021, the date on which the Trust obtained control of the royalty assets, to June 30, 2021.

				Royalty Income		Net Book Value
	Therapeutic Area	Acquisition Quarter	Expected Royalty Expiry(i)	Three months ended June 30, 2021	Six months ended June 30, 2021	As at June 30, 2021
Eylea I	Ophthalmology	Q1 2021	Q1 2027	$ 3,016	$ 4,206	$ 20,862
Eylea II	Ophthalmology	Q1 2021	Q1 2027	1,340	1,869	10,836
FluMist	Vaccine	Q1 2021	Q4 2023	23	23	6,312
Natpara	Endocrinology	Q1 2021	Q3 2024	519	791	32,099
Rydapt	Oncology	Q1 2021	Q1 2025	3,863	4,765	15,203
Spinraza	Rare Diseases	Q1 2021	Q3 2031	5,213	7,313	101,906
Xolair	Respiratory	Q1 2021	Q2 2032	2,736	3,884	55,304
Zytiga	Oncology	Q1 2021	Q2 2028	4,218	5,951	24,311
Autoimmune Portfolio(ii)	Autoimmune Disease	Q1 2021	Q1 2025	1,972	4,255	6,831
Rilpivirine Portfolio(iii)	HIV	Q1 2021	Q2 2021	545	2,899	—
Other Royalties(iv)	Various	Various	n/a	3	183	—
				$ 23,448	$ 36,139	$ 273,664

(i) Represents the quarter during which the final royalty payment is expected, and is based on our manager's estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty bearing sales may also affect these estimates as a result of caps or other structuring.

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

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

(iv) Other Royalties represents royalty income from royalty assets that are fully amortized and, where applicable, the entitlements to which have generally expired.

NOTE 9 | RESTRICTED CASH

Pursuant to the terms of the indenture agreement in connection with the outstanding secured notes, as described in note 10, the Trust is required to maintain certain deposits in the name of the indenture trustee for the benefit of secured parties for the payment of interest (the “reserve account”), as well as an amount on deposit to be utilized to make any required contingent payments for royalty or equity assets (the “contingency reserve account”).

The amount deposited in the reserve account is equal to the greater of (i) $1 million or (ii) the product of (a) the current interest due on all series notes up to the current payment date, and (b) a fraction, the numerator of which is 180 and the denominator of which is the actual number of days in the related collection period.

The amount deposited in the contingency reserve account will be the sum of contingent payments reasonably expected to become due on the royalty asset obligation.

Restricted cash includes cash and cash equivalents, which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, and are carried at fair value.

NOTE 10 | SECURED NOTES

In February 2021, in connection with the Asset Acquisition Transaction described in note 5, the Trust assumed gross secured notes payable totalling $69,924.

As at June 30, 2021, the Trust’s secured notes payable consisted of the following:

	Interest Rate	Final Stated Maturity		As at June 30, 2021
Series 2017—1 Class A—1	LIBOR(i)+2.5%	April 15, 2027	$	3,346
Series 2017—1 Class A—2	3.60%	April 15, 2027		3,346
Series 2018—1 Class A—1	LIBOR(i)+1.6%	October 15, 2031		24,682
Series 2018—1 Class A—2	4.27%	October 15, 2031		27,834
Secured notes			$	59,208
Current portion of secured notes			$	26,401
Long-term portion of secured notes				32,807
Secured notes			$	59,208

(i) In the event that LIBOR is no longer available, an alternate benchmark rate will be selected in accordance with the terms of the indenture agreements.

Principal payments on the secured notes are made on a quarterly basis. Cash receipts from certain royalty assets secured by the notes are initially deposited into an account held in trust for the indenture trustee. The trust account is pledged as collateral for the secured notes. On a quarterly basis, following the prioritization order of payments defined in the indenture agreement, the indenture trustee calculates and remits the required principal payments and interest payments, as well as certain debt servicing costs, from the funds received in the trust account. The balance remaining in the trust account is paid to the Trust. As at June 30, 2021, the amount of funds held in trust was $30,095 (December 31, 2020 – $nil), as described in note 6.

The notes have a final stated maturity date; however, the actual maturity will differ depending on the amount and timing of principal payments. The repayment schedule for the secured notes is presented below. Actual repayments may vary depending on the timing and amount of royalty receipts and the resulting impact on the payment provisions, as provided for in the Indenture Agreement. The terms of the notes require accelerated payments in certain events and allow for voluntary prepayments under certain circumstances.

As at June 30, 2021, the expected principal repayments are presented in the following schedule. After the end of the second quarter, on July 15, 2021, the Trust made the final scheduled principal repayment on Series 2017—1 Class A—1 and Series 2017—1 Class A—2 notes. In aggregate, the Trust made principal repayments of $12,125 on July 15, 2021.

	Series 2017—1 Class A—1	Series 2017—1 Class A—2	Series 2018—1 Class A—1	Series 2018—1 Class A—2	Total
Remainder of 2021	$ 3,346	$ 3,346	$ 4,508	$ 5,084	$ 16,284
Full year 2022	—	—	9,347	10,541	19,888
Full year 2023	—	—	7,360	8,299	15,659
Full year 2024	—	—	3,467	3,910	7,377
	$ 3,346	$ 3,346	$ 24,682	$ 27,834	$ 59,208

The Trust maintains interest rate swaps in connection with the secured notes, as discussed in note 7.

NOTE 11 | UNITHOLDERS' CAPITAL

Authorized equity

The authorized equity capital consists of (i) an unlimited number of units and (ii) an unlimited number of preferred units, issuable in series.

(i) Units

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

On February 19, 2021, DRI Healthcare Trust completed initial public and private offerings of its units for combined gross proceeds of $400,000. In connection with its public offering, the Trust issued 36,527,000 units at $10.00 per unit, for gross proceeds of $365,270. Concurrent with the completion of the initial public offering, certain related parties and other investors purchased an aggregate of 3,580,407 units at $9.70 per unit, for gross proceeds of $34,730. Transaction costs associated with the offerings totalled $21,956 and were recorded as a reduction in unitholders' equity.

	Units	Weighted Average Cost per Unit	Total Cost
Balance – October 31, 2020	—	$ —	$ —
Issuance of units – date of formation	1	10.00	—
Balance – December 31, 2020	1		$ —
Issuance of units – private placement	3,580,407	$ 9.70	34,730
Issuance of units – public offering	36,527,000	$ 10.00	365,270
Unit issuance costs	n/a	n/a	(21,956)
Redemption of units	(1)	$ 10.00	—
Balance – June 30, 2021	40,107,407		$ 378,044

(ii) Preferred units

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

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

As at June 30, 2021, no preferred units had been issued or were outstanding (December 31, 2020 – none).

Distribution policy

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

The payment of any distributions by the Trust are at the sole discretion of our board of trustees, which may change our distribution policy at any time, and will be paid out of our distributable reserves. Our board of trustees takes into account general economic and business conditions, our strategic plans and prospects, our business and asset acquisition opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our unitholders, and such other factors as our board of trustees may deem relevant. The payment of distributions is therefore not guaranteed.

In March 2021, the board of trustees declared a quarterly distribution of $0.0167 per unit, totalling $670, to unitholders of record as at March 31, 2021, which was paid on April 20, 2021.

In May 2021, the board of trustees declared a quarterly distribution of $0.0375 per unit, totalling $1,504, to unitholders of record as at June 30, 2021 and payable on July 20, 2021.

NOTE 12 | NET EARNINGS PER UNIT

Weighted average number of units outstanding for the purpose of calculating earnings per unit were as follows:

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Basic	40,107,407 units	29,249,601 units
Diluted	40,107,407 units	29,249,601 units

NOTE 13 | OPERATING AND OTHER EXPENSES

The Trust's operating and other expenses were as follows:

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
Professional fees	$ 291	$ 792
Board of trustee fees	94	291
Other	1,186	1,490
Total other operating expenses	$ 1,571	$ 2,573

NOTE 14 | FINANCIAL INSTRUMENTS

The financial assets and liabilities held by the Trust, as at June 30, 2021, were as follows. As at December 31, 2020, the Trust had nominal assets.

	FVTPL – Recognized	Amortized Cost	Total
Financial Assets			
Cash and cash equivalents	$ 115,583	$ —	$ 115,583
Royalties receivable	—	29,679	29,679
Funds held in trust	30,095	—	30,095
Derivative assets	294	—	294
Restricted cash	1,154	—	1,154
	$ 147,126	$ 29,679	$ 176,805
Financial Liabilities			
Accounts payable and accrued liabilities	$ —	$ 3,814	$ 3,814
Distributions payable to unitholders	—	1,504	1,504
Current portion of secured notes	—	26,401	26,401
Long-term portion of secured notes	—	32,807	32,807
	$ —	$ 64,526	$ 64,526

NOTE 15 | FAIR VALUE MEASUREMENTS

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

There were no transfers among the three levels of the fair value hierarchy during the six months ended June 30, 2021 (December 31, 2020 – nil).

The following table presents the allocation of financial assets measured at fair value to the fair value hierarchy as at June 30, 2021. As at December 31, 2020, the Trust had nominal assets.

	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Cash and cash equivalents	$ 115,583	$ —	$ —	$ 115,583
Funds held in trust	30,095	—	—	30,095
Derivative assets	—	294	—	294
Restricted cash	1,154	—	—	1,154
	$ 146,832	$ 294	$ —	$ 147,126

The carrying values of royalties receivable, other current assets, other non-current assets, accounts payable and accrued liabilities, distributions payable to unitholders and secured notes approximate the fair values of these financial instruments.

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

NOTE 16 | RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Trust by failing to discharge an obligation. Cash and cash equivalents, restricted cash and royalty assets are subject to credit risk.

Cash and cash equivalents, funds held in trust and restricted cash are held with reputable financial institutions which have high credit ratings.

The Trust has determined that it is exposed to credit risk related to the counterparties of its royalty assets. These counterparties are comprised primarily of marketers of the underlying products in the pharmaceutical and life sciences industries. As at June 30, 2021, royalties receivable from the five largest royalties receivable counterparties represented 95% of total royalties receivable. The Trust monitors its exposure to counterparties of its royalty assets on a regular basis.

(b) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust manages its cash and capital to ensure that it can meet its obligations in the normal course of operations. The Trust generally settles its accounts payable obligations within 90 days. The Trust also maintains enough liquidity to ensure it can meet the mandatory payment requirements of its secured notes, the repayment schedule of which is presented in note 10.

(c) Foreign exchange risk

Foreign exchange is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust's functional currency is the U.S. dollar; however, the Trust is exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty income. To mitigate its exposure to currency fluctuations in royalty income, the Trust has entered into foreign exchange derivatives, as described in note 7. An appreciation or depreciation of 5% in the currencies to which the Trust has exposure against the U.S. dollar would not have a material impact on the Trust's net earnings (loss) as at June 30, 2021.

(d) Interest rate risk

The Trust is exposed to changes in interest rates on its secured notes payable, as described in note 10. The Trust has mitigated its exposure to fluctuating interest rates by entering into interest rate cap transactions, as described in note 7. An increase or decrease of 0.5% in interest rates would not have a material impact on the Trust's net earnings (loss), as at June 30, 2021.

(e) Additional risks

The Trust is monitoring the impact of the current global outbreak of COVID-19 as this event could potentially affect our financial position, financial performance and cash flows. While the financial impact of the outbreak cannot be reasonably estimated at this time, the Trust does not anticipate that these events will have a material adverse impact on its long-term operations.

NOTE 17 | CAPITAL MANAGEMENT

As at June 30, 2021, the Trust's capital was $437,252, and consisted of its unitholders' capital and secured notes. 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.

Certain royalty streams are held in trust until payments are made to satisfy the obligations related to the secured notes, as described in note 6. The Trust is also required to maintain a predefined amount of cash in connection with the securitization agreement, as described in note 9, which has been classified as restricted cash on the statement of financial position. As at June 30, 2021, the Trust was in compliance with all externally imposed capital requirements.

There have been no changes in the composition of the Trust's capital or its capital management policies as compared to prior periods.

NOTE 18 | RELATED PARTY TRANSACTIONS

DRI Capital is under common control with the Trust.

DRI Capital serves as manager of the Trust. Management fees and performance fees are payable by the Trust pursuant to the investment management agreement. The manager's entitlement to management and performance fees is described in note 2(n) and (o), respectively. The manager also provides administrative services to the Trust for servicing the secured notes, pursuant to a debt servicing agreement.

During the three and six months ended June 30, 2021, the Trust recorded the following transactions and balances with its manager.

	For the three months ended June 30, 2021	For the six months ended June 30, 2021	As at June 30, 2021
Management fee expense	$ 2,167	$ 3,050	—
Servicer fees	$ 400	$ 578	—
Accounts payable and accrued liabilities	—	—	$ 635

The Trust did not enter into any related party transactions for the period from October 21, 2020 (date of formation) to December 31, 2020.

NOTE 19 | SEGMENT INFORMATION

The chief operating decision maker, determined to be the Chief Executive Officer of the Trust, reviews financial information presented on a consolidated basis to allocate resources, evaluate financial performance and make overall operating decisions. As such, the Trust has concluded that it operates as one segment, primarily focused on acquiring royalty assets.

The Trust's segment earnings are comprised of royalty income. The Trust attributes its royalty income to individual countries by reference to the countries where the products underlying its royalty agreements are sold. The Trust is not entitled to such country-by-country information for each of its royalty streams; as such, the Trust attributes its income to geographies for which it has reliable information, namely the United States, which represents its largest geographic market, Japan, the European Union and the rest of the world.

The Trust's non-current segment assets are comprised of its royalty assets. Similar to royalty income, the Trust attributes its royalty assets by reference to the countries where the products underlying its royalty agreements are expected to be sold. This allocation is done at the time of the acquisition of the royalty agreement and is not subsequently revised to take into consideration changes in consumption over the life of the asset.

The presentation of geographic information for royalty assets is not feasible, as the net book value of the Trust's royalty assets is not directly correlated to the royalty entitlements from various geographies.

The following table provides the estimated geographical information on the Trust's royalty income. In certain circumstances, the Trust does not have access to the underlying geographical information of its royalty income. In those circumstances, the Trust has allocated its royalty income to geographies using internally forecasted sales of the underlying products by geography.

	Royalty income	
	Three months ended June 30, 2021	Six months ended June 30, 2021
United States	$ 9,652	$ 14,849
European Union	7,049	11,009
Japan	1,598	3,438
Rest of the world	5,149	6,843
	$ 23,448	$ 36,139

During the three and six months ended June 30, 2021, the Trust earned royalty income of 90% and 86%, respectively, from five counterparties. These counterparties are comprised primarily of marketers of the underlying products in the pharmaceutical and life sciences industries. The following table lists revenues by each counterparty, which individually represented more than 10% of the Trust's royalty income.

	Royalty Income			
	Three months ended June 30, 2021		Six months ended June 30, 2021	
Counterparty 1	$ 4,959	21%	$ 7,313	20%
Counterparty 2	4,384	19%	6,667	18%
Counterparty 3	3,976	17%	6,076	17%
Counterparty 4	4,218	18%	5,951	16%
Counterparty 5	3,533	15%	5,252	15%
Other	2,378	10%	4,880	14%
Total	$ 23,448	100%	$ 36,139	100%

NOTE 20 | SUBSEQUENT EVENTS

(a) *Repayment of Secured Notes*

On July 15, 2021, the Trust made principal repayments of its secured notes totalling $12,125, as described in note 10.

(b) *Third Quarter Distribution Declared*

On August 5, 2021, the board of trustees declared a quarterly distribution of $0.0375 per unit to unitholders of record as at September 30, 2021 and payable on October 20, 2021.

INVESTOR INFORMATION

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

Trading Symbols
U.S. dollars: DHT.U
Canadian dollars: DHT.UN

Registrar and Transfer Agent
Computershare
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

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

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

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