DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

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BASIS OF PRESENTATION

The following interim Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (the "**Trust**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements of the Trust for the three and six months ended June 30, 2023 (the "**consolidated financial statements**"), including the accompanying notes to such financial statements, as well as the audited annual consolidated financial statements for the year ended December 31, 2022 (the "**2022 annual consolidated financial statements**"). The consolidated financial statements of the Trust have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") and its interpretations adopted by the International Accounting Standards Board ("**IASB**").

We present our financial statements in United States dollars ("**U.S. dollars**"). In this MD&A, all dollar amounts are expressed in U.S. dollars unless otherwise indicated. Accordingly, all references to "**US$**", "**$**" or "**dollars**" are to U.S. dollars, and all references to "**C$**" are to Canadian dollars. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. Dollar amounts in the tables and elsewhere in this MD&A are presented in thousands of U.S. dollars unless otherwise noted.

The board of trustees has approved this disclosure.

This MD&A is dated as of August 14, 2023.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the Trust's annual and interim quarterly consolidated financial statements and management's discussion and analyses, annual information form and management information circular, are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com. 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. These risks and uncertainties include, but are not limited to, those described in greater detail under "Risk Factors" in the Trust's most recent annual information form, available under our profile on SEDAR at www.sedar.com. 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.

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

REFERENCES AND DEFINED TERMS

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

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

USE OF NON-GAAP MEASURES

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

Our uses, definition and calculation methodology, and the reconciliations of these non-GAAP financial measures and non-GAAP ratios to the most directly comparable measures calculated and presented in accordance with IFRS, if available, for each of the measures, are presented under *Financial Review: Non-GAAP Financial Measures* on page 16 of this MD&A. The Trust has presented the following non-GAAP financial measures and non-GAAP ratios in this MD&A:

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

OVERVIEW OF THE TRUST

DRI Healthcare Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust on October 21, 2020. The Trust is a "mutual fund trust" as defined in the Income Tax Act (Canada), but not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head and registered office is located at First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

In December 2022, our manager, DRI Capital Inc., changed its brand name to DRI Healthcare in order to be better aligned with the Trust. Our manager's legal entity name was not changed. All references in this MD&A to "**DRI Healthcare**", "**our manager**" or the "**manager**" are to DRI Capital Inc. DRI Healthcare provides management and other services to us, and also provides the services of certain employees of DRI Healthcare who act as executive officers of the Trust, pursuant to the terms of a management agreement.

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

BUSINESS AND STRATEGY OVERVIEW

Business Overview

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

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

Even though we have been public for a little more than two years, our manager, DRI Healthcare, has been at the forefront of our business since 1989. Over the past 16 years to date, the Trust or its predecessor funds have purchased 74 royalty streams on 48 products for more than $2.8 billion.

As at June 30, 2023, our portfolio consisted of 24 royalty streams on 20 products that treat diseases in oncology, neurology, ophthalmology, endocrinology, hemato-oncology ("**heme-onc**"), dermatology, as well as lysosomal storage disorders ("**LSD**"), autoimmune and respiratory diseases and influenza. Our products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, AstraZeneca, Biogen, GSK, Galderma, Johnson & Johnson, Menarini Group ("**Menarini**"), Novartis, Rayner Surgical, Regeneron, Roche, Sanofi S.A. ("**Sanofi**") and Swedish Orphan Biovitrum AB ("**Sobi**"). In addition to our royalty transactions, we had also provided a secured loan to CTI BioPharma ("**CTI**"), as part of the transaction to acquire a royalty on Vonjo. This loan was repaid in full by CTI on June 26, 2023. Many of the royalty streams in our portfolio provide us with entitlements on products that we believe represent focus areas and important revenue sources for their respective marketers.

Unique Growth Strategy

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

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

Our target is to complete between $850 million and $900 million in transactions between the time of our initial public offering on February 19, 2021 and December 31, 2025. This will allow us to generate sustainable annual growth in cash receipts. We have increased this target to $750 million from the previous range of $650 million that we had established at the time of our initial public offering. We expect to fund these acquisitions using our cash and cash flows as well as with the prudent use of leverage. Since our initial public offering through June 30, 2023, we have deployed $570 million in nine transactions to acquire royalties on eleven products and provided a secured loan to CTI, which was fully repaid on June 26, 2023. In connection with these transactions, there is potential further deployment of up to $59 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, heme-onc, dermatology, LSD, autoimmune and respiratory diseases and influenza. These products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, AstraZeneca, Biogen, GSK, Galderma, Johnson & Johnson, Menarini, Novartis, Rayner Surgical, Regeneron, Roche, Sanofi and Sobi. In addition, the Trust provided a secured loan to CTI as part of the transaction to acquire a royalty on Vonjo. This loan 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.

The table below provides an overview of our royalty assets as at June 30, 2023, and outlines expected royalty expirations based on our estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring elements.

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

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry[(i)]
Empaveli/Syfovre[(ii),(iii)]	Heme-Onc/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
FluMist	Influenza	AstraZeneca	June 2003	Q4 2023
Ilaris[(iv)]	Autoimmune Diseases	Novartis	June 2009	Q1 2025
Natpara	Endocrinology	Takeda	January 2015	Q3 2025
Omidria	Ophthalmology	Rayner Surgical	May 2014	Q4 2030
Oracea	Dermatology	Galderma	May 2006	Q1 2028
Orserdu	Oncology	Menarini	January 2023	Q1 2035
Rydapt	Oncology	Novartis	April 2017	Q1 2028
Simponi[(iv)]	Autoimmune Diseases	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Spinraza	Neurology	Biogen	December 2016	Q3 2031
Stelara[(iv)]	Autoimmune Diseases	Johnson & Johnson, Mitsubishi Tanabe	September 2009	Q2 2024
Vonjo	Heme-Onc	Sobi	February 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	August 2022	Q4 2036
Xolair	Respiratory Diseases	Roche, Novartis	June 2003	Q2 2032
Zejula	Oncology	GSK	April 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	September 2011[(v)]	Q2 2028

(i) Represents the quarter during which the final royalty payment is expected, and is based on our manager's estimates of patent expiry dates in key geographies, 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) On February 17, 2023, the FDA approved Syfovre (pegcetacoplan) as a treatment for geographic atrophy. The Trust's royalty entitlement on Syfovre is consistent with that of Empaveli, as described on page 7 of this MD&A.
(iii) 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.
(iv) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(v) Represents the European Commission approval date.

Key Developments Related to our Assets

Natpara

In September 2019, as a result of manufacturing and delivery-related difficulties related to rubber particulates originating from the rubber septum of the Natpara cartridge that led to its recall in the United States, Takeda Pharmaceutical Company Ltd. ("**Takeda**"), the marketer of Natpara, ceased product sales in the United States.

On March 22, 2022, Takeda announced that a Complete Response Letter was received from the U.S. Food and Drug Administration ("**FDA**"), in response to the company's Prior Approval Supplement submission to address the issue that led to the recall in the United States, stating that the product cannot be approved in its present form. Takeda noted that it is evaluating the details of the letter to determine next steps and has suspended the commercial return of Natpara to the United States.

On October 4, 2022, Takeda announced that it will discontinue manufacturing the pharmaceutical Natpara globally at the end of 2024 due to unresolved manufacturing issues related to protein and rubber particle formation. As a result, Takeda will not re-commercialize Natpara in the United States. Beyond 2024, Takeda intends to supply available doses to Europe and other regions around the world until the inventory of Natpara is depleted or expired. Takeda will provide updates before the manufacturing end date and ahead of any potential supply interruptions.

Since the announcement by Takeda, we have been reviewing and assessing various options to maximize the value of our remaining royalties. Based on our review performed to date, we have not recognized an impairment in the net book value of Natpara as at June 30, 2023. Given the ongoing review it is reasonably possible, on the basis of existing knowledge, that outcomes in upcoming quarters of 2023 will be different from the assumptions used as at June 30, 2023 and could require an adjustment to the carrying value of the Natpara asset. We continue to earn royalty income on European and rest of the world sales and we expect that this will continue past Takeda's planned end of manufacturing at the end of 2024 to account for residual inventory depletion.

Zejula

In November 2022, at the request of the FDA, GSK plc restricted the second-line maintenance indication for Zejula to only the patient population with deleterious or suspected deleterious germline breast cancer gene mutations. The U.S. first-line indication of Zejula remains unchanged for the maintenance treatment of adult patients with advanced epithelial ovarian, fallopian tube or primary peritoneal cancer who have a complete or partial response to platinum-based chemotherapy. Sales in the second-line maintenance setting represent approximately 25% of U.S. sales of Zejula. We are not expecting to be materially impacted by this development as we are entitled to royalties on the worldwide net sales of Zejula. We will continue to monitor clinical trials and developments related to Zejula.

In February 2023, Zejula was approved by the EMA in combination with Zytiga (abiraterone-acetate), in the form of a dual action tablet, plus prednisolone, for the treatment of metastatic castration-resistant prostate cancer and breast cancer gene mutations (germline and/or somatic) in whom chemotherapy is not clinically indicated.

Empaveli/Syfovre

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

Loan Receivable from CTI

On June 26, 2023, Sobi announced that it had acquired CTI, resulting in Sobi becoming the primary marketer of CTI's heme-onc product, Vonjo. As a result of Sobi's acquisition, CTI was required to prepay the $50 million secured loan we provided to CTI under the loan agreement entered into on August 25, 2021, as described on page 22 of this MD&A. CTI prepaid all amounts outstanding under the loan agreement, resulting in a $54.8 million prepayment, including principal, accrued interest, prepayment premiums and exit fees. As a result of the prepayment, the loan agreement between the Trust and CTI was terminated. We maintain our royalty investment in Vonjo pursuant to the purchase and sale agreement that was also announced on August 25, 2021.

Other Key Events

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

On September 30, 2021, we were granted approval by the TSX to acquire, from time to time, if considered advisable, up to 1,500,000 Units of the Trust for cancellation between October 5, 2021 and October 4, 2022 ("**September 2021 NCIB**"). On March 8, 2022, we were granted approval by the TSX to amend our September 2021 NCIB and increase the total number of Units that can be repurchased under the September 2021 NCIB to 2,500,000 Units. The September 2021 NCIB expired on October 4, 2022.

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

During the six months ended June 30, 2023, we acquired and cancelled 325,653 Units at an average price of $5.43, totaling $1.8 million. As at June 30, 2023, in aggregate, we had acquired and cancelled 2,757,163 Units at an average price per Unit of $5.26, totaling $14.5 million under the NCIB plan. Our NCIB plan is discussed further on page 26 of this MD&A.

Credit Facility

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

On April 20, 2022, we entered into an amended and restated credit agreement (the "**amended credit agreement**"), as amended from time to time, that added a new tranche to the credit facility consisting of a $150 million delayed draw term loan ("**term credit facility**") which can be drawn against to fund future transactions. As part of the first amendment, the interest rate for new drawings on the amended credit facility was revised from the London Interbank Offered Rate ("**LIBOR**") plus a margin which may vary from 2.00% to 2.50% based on our leverage ratio to the Secured Overnight Financing Rate ("**SOFR**") plus (i) a margin which may vary from 2.00% to 2.50% based on our leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing.

On March 30, 2023, we further amended our amended credit agreement that revised the total credit available to $225 million under the acquisition credit facility and $88.8 million under the term credit facility, and certain financial covenants were adjusted to provide greater flexibility (the "**amended credit facility**"). The interest rate was also revised to SOFR plus (i) a margin which may vary from 2.00% to 2.75% based on our leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing. The range of standby fees was revised to 0.40% to 0.55% based on our leverage ratio.

The maturity date of the credit facility has been extended to March 30, 2026 from the original maturity date of October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders. All other material terms of the credit agreement remained unchanged. The credit facility is discussed in further detail on page 23 of this MD&A.

Preferred Securities

On February 8, 2023, we completed a private placement (the "**Private Placement**") to a group of investors, the proceeds from which were used to repay amounts owing under our amended credit facility. The Private Placement provided gross proceeds of $95 million to the Trust through the sale of $95 million principal amount of Series A Preferred Securities, $19.8 million principal amount of Series B Preferred Securities (collectively, the "**Preferred Securities**") and the issuance of 6,369,180 warrants (the "**Warrants**"), as described below. The Preferred Securities are our unsecured, subordinated debt securities. The Preferred Securities will initially pay cash interest at a rate of 7.04% per annum on the principal amount of the Preferred Securities, payable semi-annually on June 30 and December 31 of each year. The Preferred Securities are discussed in further detail on page 24 of this MD&A.

Warrants

In connection with the February 2023 Private Placement described above, we issued 6,369,180 Warrants to the Private Placement investors. Each whole Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of $11.62 at any time until the expiry of the Warrant on February 8, 2028. The Warrant exercise price represents a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The Warrants are not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the Warrants are listed on the TSX. The Warrants are discussed in further detail on page 27 of this MD&A.

Distributions

On March 1, 2023, our board of trustees declared a quarterly distribution of $0.075 per Unit totaling $2.8 million to Unitholders of record as at March 31, 2023, which was paid on April 20, 2023. On April 27, 2023, our board of trustees declared a special cash distribution totaling $20 million to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023. On May 11, 2023, our board of trustees declared a quarterly cash distribution of $0.075 per Unit totaling $2.8 million to Unitholders of record as at June 30, 2023, which was paid on July 20, 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 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. 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 asset acquired.

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

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

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 have assigned to Sanofi our obligation to pay up to $100 million in milestone payments to the extent the pre-specified events and thresholds are met. We 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 27 of this MD&A. An additional portion of the proceeds was used to pay down the entire balance outstanding under our revolving acquisition credit facility on May 2, 2023, as described on page 24 of this MD&A, leaving significant cash and credit available to invest in our pipeline of royalty opportunities. This transaction resulted in management and performance fees payable to our manager, as described on page 28 of this MD&A.

Additional Empaveli/Syfovre Royalty Stream

On April 3, 2023, we bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for $3.7 million. 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 have 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 asset acquired.

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

Orserdu Transaction

On June 29, 2023, we bought royalties on the sales of Orserdu (elacestrant) for $85 million. 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, with the first payment expected to be received in the third quarter of 2023. We have recognized acquired royalties receivable of $2.2 million related to our royalty entitlement accrued from April 1, 2023 to June 29, 2023, the date of the royalty transaction. Transaction costs of $1 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 milestone 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 is under review by the European Medicines Agency ("**EMA**") for potential approval. 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)

Summary of Transactions Completed in 2023

The following is a summary of the transactions completed during the six months ended June 30, 2023:

	Tzield Transaction[(i)]	Empaveli/Syfovre Transaction	Orserdu Transaction	Total for the six months ended June 30, 2023
Assets				
Cash and cash equivalents	$ —	$ 14	$ —	$ 14
Royalties receivable	96	72	2,210	2,378
Royalty assets	99,904	3,614	82,790	186,308
Net acquired assets	$ 100,000	$ 3,700	$ 85,000	$ 188,700

(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 $99,450 at the time of the sale, as described on page 22 of this MD&A. Acquired royalties receivable of $0.1 million were reversed as the entitlement to the royalty income was sold.

Additional Vonjo Royalty Stream

Subsequent to June 30, 2023, we bought an additional royalty stream on Vonjo for $66 million. This royalty is in addition to our existing Vonjo royalty, as described in the Vonjo Transaction section below. 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, with the first payment expected to be received 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 payments.

Additional Orserdu Royalty Stream

Subsequent to June 30, 2023, we bought an additional royalty stream on Orserdu for $130 million on August 14, 2023. This royalty is in addition to our existing Orserdu royalty acquired on June 29, 2023. 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, with the first payment expected to be received in the fourth quarter of 2023. In accordance with the royalty agreement, we are also entitled to receive milestone payments on the achievement of sales performance thresholds. Upon the occurrence of pre-specified events, the Trust is obligated to pay a $10 million milestone to the royalty seller.

Transactions Completed in 2022

Vonjo Transaction

On August 25, 2021, concurrent with the agreement to provide a $50 million secured loan to CTI, as described on page 22 of this MD&A, we entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the FDA, for $60 million.

On February 28, 2022, the FDA approved pacritinib under the brand name Vonjo for the treatment of adult myelofibrosis patients with platelets below 50×10^9/L. Myelofibrosis is a bone marrow cancer that results in the formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the funding of the above noted tiered royalty transaction on Vonjo for $60 million, which occurred on March 7, 2022. Transaction costs of $0.6 million were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, CTI is also entitled to additional consideration of $6.5 million in the event that Vonjo sales exceed certain thresholds on or before March 31, 2023 ("**Net Sales Threshold I**") and an additional $18.5 million in the event that Vonjo sales exceed certain thresholds on or before September 30, 2023 ("**Net Sales Threshold II**"). In January 2023, CTI confirmed that Vonjo sales exceeded Net Sales Threshold I. Accordingly, we recognized a royalty asset of $6.5 million and funded the milestone payment on January 25, 2023.

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

Empaveli/Syfovre Transaction

On July 20, 2022, we bought royalties on the sales of Empaveli (pegcetacoplan) for $24.5 million. The transaction entitles us to a less than one percent royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of $500 million in each calendar year. We will not be entitled to any royalty above the cap. As part of the transaction, we had an option to increase the annual sales cap to $1.1 billion in exchange for a one-time payment of $21 million. We did not exercise this option prior to its expiry in June 2023. We are entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing January 1, 2022 to be paid on a three-quarter lag. We received our first payment in the fourth quarter of 2022. Our royalty entitlement will step down on the expiry of the relevant patents in each jurisdiction.

We recognized royalty assets of $23.6 million related to Empaveli/Syfovre and other current assets of $0.5 million related to the option to increase the annual sales cap. We recorded amortization related to the option on a straight-line basis over the period from July 20, 2022, the acquisition date of the royalty, to June 1, 2023, the expiry date of the option. We have recognized acquired royalties receivable of $0.4 million related to our royalty entitlement accrued from January 1, 2022 to July 20, 2022, the date of the royalty transaction. Transaction costs of $0.8 million were capitalized as part of the royalty asset acquired.

Empaveli is the first targeted C3 therapy for use in adults with paroxysmal nocturnal hemoglobinuria and was approved for that indication by the FDA and the EMA in 2021. It is marketed in the U.S. by Apellis Pharmaceuticals Inc. and outside the U.S., including the European Union ("**EU**"), by Sobi, where it is marketed under the brand name Aspaveli.

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

Zejula Transaction

On September 9, 2022, we bought royalties on the sales of Zejula for $35 million. The transaction entitles us to a net 0.5% royalty on worldwide net sales of Zejula by GSK plc. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2022, and received its first payment in the fourth quarter of 2022. Acquired royalties receivable of $0.6 million are related to our royalty entitlement from July 1, 2022 to September 9, 2022, the date of the royalty transaction. Transaction costs of $0.6 million were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, we are committed to making a milestone payment of $10 million should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025.

Zejula is approved by both the FDA and the EMA as a treatment for both first-line and recurrent ovarian cancer. Additional indications in development include endometrial cancer, non-small cell lung cancer, as well as metastatic castrate-sensitive prostate cancer. In February 2023, Zejula was approved by the EMA in combination with Zytiga (abiraterone-acetate), in the form of a dual action tablet, plus prednisolone, for the treatment of metastatic castration-resistant prostate cancer and breast cancer gene mutations (germline and/or somatic) in whom chemotherapy is not clinically indicated.

Omidria Transaction

On September 30, 2022, we bought royalties on the sales of Omidria for $125 million. In accordance with the terms of the royalty agreement, we are entitled to receive royalties until December 2030 subject to annual caps. Royalties are collected on a monthly basis. The details of the annual royalty caps are presented below:

$ Thousands		Annual Royalty Cap
September 1, 2022 – December 31, 2022	$	1,670
2023	$	13,000
2024	$	20,000
2025	$	25,000
2026	$	25,000
2027	$	25,000
2028	$	25,000
2029	$	26,250
2030	$	27,500

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

Omidria was approved by the FDA in May 2014 and the EMA in July 2015 for intracameral use during cataract surgery or intraocular lens replacement to maintain pupil dilation and reduce postoperative pain. Omidria is marketed worldwide by Rayner Surgical.

Xenpozyme

On November 25, 2022, we bought royalties on the sales of Xenpozyme for $30 million. The transaction entitles us to royalties equal to approximately one percent of worldwide net sales of Xenpozyme. We are entitled to receive semi-annual royalty payments in respect of net sales of Xenpozyme commencing from the transaction date on a two-quarter lag from the respective half-year period. For sales made in the first and second quarters of the year, we expect to receive the royalty payment in the fourth quarter of that year. For sales made in the third and fourth quarters of the year, we expect to receive the royalty payment in the second quarter of the following year. Transaction costs of $1.5 million were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to additional consideration of up to $26.5 million in the event that cumulative royalties received by us on Xenpozyme sales exceed certain thresholds within a predefined period of time.

Xenpozyme is the only product developed and approved for the treatment of non-central nervous system manifestations of acid sphingomyelinase deficiency ("**ASMD**"), also known as Niemann-Pick disease types A, A/B and B, in pediatric and adult patients. ASMD is an extremely rare, progressive genetic disease with significant morbidity and mortality, especially among infants and children. Signs and symptoms of ASMD may include enlarged spleen or liver, difficulty breathing, lung infections and unusual bruising or bleeding, among other disease manifestations. Current management of the disease includes palliative and supportive care to manage the symptoms. Xenpozyme was approved in Japan in March 2022, by the European Commission in June 2022 and by the FDA in August 2022. Xenpozyme is marketed worldwide by Sanofi.

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

Summary of Transactions Completed in 2022

The following is a summary of the transactions completed during the year ended December 31, 2022:

	Vonjo Transaction	Empaveli/Syfovre Transaction	Zejula Transaction	Omidria Transaction	Xenpozyme Transaction	Total for the year ended December 31, 2022
Assets						
Royalties receivable	$ —	$ 354	$ 594	$ 418	$ —	$ 1,366
Other current assets	—	500	—	—	—	500
Royalty assets	66,500	23,646	34,406	124,582	30,000	279,134
Net acquired assets	**$ 66,500**	**$ 24,500**	**$ 35,000**	**$ 125,000**	**$ 30,000**	**$ 281,000**

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the three and six months ended June 30, 2023, the Trust generated total income of $28,058 and $56,294, respectively (2022 – $21,296 and $43,921, respectively), incurred total expenses of $62,631 and $91,990, respectively (2022 – $18,199 and $35,130, respectively) and generated a net gain on the sale of royalty assets of $109,606 (2022 – nil) and net earnings and comprehensive earnings of $75,033 and $73,910, respectively (2022 – $3,097 and $8,791, respectively).

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		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Income				
Royalty income	**$ 23,207**	$ 19,952	**$ 49,499**	$ 41,253
Interest and other income on loan receivable	**4,799**	1,339	**6,506**	2,663
Other interest income	**52**	5	**289**	5
Total income	**28,058**	**21,296**	**56,294**	**43,921**
Expenses				
Amortization of royalty assets	**19,600**	13,421	**38,768**	26,196
Management fees	**15,560**	1,718	**17,236**	3,155
Performance fees	**18,616**	—	**18,616**	—
Interest expense	**6,284**	848	**12,450**	1,266
Deal investigation and research expenses	**760**	774	**1,741**	1,650
Unit-based compensation	**569**	24	**857**	551
Other operating expenses	**1,242**	1,414	**2,322**	2,312
Total expenses	**62,631**	**18,199**	**91,990**	**35,130**
Net gain on sale of royalty assets	**109,606**	**—**	**109,606**	**—**
Net earnings and comprehensive earnings	**$ 75,033**	**$ 3,097**	**$ 73,910**	**$ 8,791**

Royalty income

Royalty income is comprised of income from our royalty assets, which represents the contractual right to receive, directly or indirectly, a royalty payment, licence fee or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The Trust typically does not own the licensed intellectual property; rather, it earns income based on rights to a royalty stream generally tied to the related underlying patent, calculated as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalty income is recorded on an accrual basis when earned in accordance with our contractual rights. Management is required to make estimates of royalty income earned for which a report or actual cash royalty receipts have not been received from our counterparty. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned. Royalty income of $23,207 for the three months ended June 30, 2023 (2022 – $19,952) includes $21,443 (2022 – $18,650) related to royalty entitlements which will be received subsequent to June 30, 2023.

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

The following table presents the Trust's royalty income by royalty asset for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30, 2023	Three months ended June 30, 2022	% Change	Six months ended June 30, 2023	Six months ended June 30, 2022	% Change
Royalty Assets						
Empaveli/Syfovre[(i),(ii)]	$ 895	$ —	n/a	$ 1,677	$ —	n/a
Eylea I	1,346	1,464	(8)%	2,663	2,949	(10)%
Eylea II	291	1,604	(82)%	594	3,234	(82)%
FluMist	—	—	n/a	31	105	(70)%
Natpara	607	607	— %	1,246	1,314	(5)%
Omidria[(i)]	3,250	—	n/a	6,500	—	n/a
Oracea	1,829	2,484	(26)%	4,185	4,184	— %
Orserdu[(i)]	25	—	n/a	25	—	n/a
Rydapt	1,694	2,406	(30)%	4,628	5,676	(18)%
Spinraza	3,918	4,147	(6)%	7,761	7,840	(1)%
Stelara, Simponi and Ilaris[(iii),(iv)]	349	794	(56)%	607	1,868	(68)%
Tzield[(i),(v)]	(35)	—	n/a	—	—	n/a
Vonjo	3,610	699	416 %	5,031	787	539 %
Xenpozyme[(i)]	340	—	n/a	370	—	n/a
Xolair	2,770	2,818	(2)%	5,715	5,618	2 %
Zejula[(i)]	786	—	n/a	1,559	—	n/a
Zytiga	1,006	1,909	(47)%	5,828	6,324	(8)%
Other Products[(vi)]	526	1,020	(48)%	1,079	1,354	(20)%
Total Royalty Income	**$ 23,207**	**$ 19,952**	**16 %**	**$ 49,499**	**$ 41,253**	**20 %**

(i) The Trust recorded no royalty income related to Empaveli/Syfovre, Omidria, Orserdu, Tzield, Xenpozyme or Zejula prior to June 30, 2022 as the Trust obtained control over the royalty assets in subsequent periods, as described on page 6 of this MD&A.
(ii) Empaveli/Syfovre include two royalty streams on each product held directly.
(iii) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The three royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(iv) During the third quarter of 2021, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with Ilaris prior to the Trust's acquisition of the asset. Royalties receivable of $177 and $334 were used to reduce the obligation during the three and six months ended June 30, 2022, respectively. There is no remaining obligation as at June 30, 2023 (December 31, 2022 – nil) related to the past overpayments of Ilaris.
(v) The Tzield royalty asset was acquired on March 8, 2023. On April 27, 2023, the Trust sold the Tzield royalty asset, as described on page 6 of this MD&A, and reversed the income accrued during the three months ended March 31, 2023.
(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 June 30, 2023 was $23,207 (2022 – $19,952). The increase in royalty income is primarily due to (i) royalty income earned related to Empaveli/Syfovre, Omidria, Orserdu, Xenpozyme and Zejula, which were added to the portfolio subsequent to June 30, 2022, as described on page 6 of this MD&A; and (ii) strong sales from Vonjo since the drug's approval by the FDA during the first quarter of 2022. The increase in royalty income was partially offset by (i) the contractual step-down in royalty rate for Eylea II starting in the first quarter of 2023; (ii) the expiration of royalty entitlements in certain geographies as expected for Rydapt; (iii) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; (iv) the reversal of the income previously accrued related to Tzield that the Trust is no longer entitled to as a result of the sale of the Tzield royalty asset; (v) the expected decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies; and (vi) the inclusion of the royalty litigation settlement of $750 in Other Products in 2022.

Royalty income for the six months ended June 30, 2023 was $49,499 (2022 – $41,253). The increase in royalty income is primarily due to (i) royalty income earned related to Empaveli/Syfovre, Omidria, Orserdu, Xenpozyme and Zejula, which were added to the portfolio subsequent to June 30, 2022, as described on page 6 of this MD&A; and (ii) strong sales from Vonjo during the first half of 2023 which represents two full quarters of sales, while sales in 2022 only began on February 28, 2022 after receipt of the FDA approval. The increase in royalty income was partially offset by (i) the contractual step down in royalty rate for Eylea II starting in the first quarter of 2023; (ii) the decline in the sales of FluMist due to decreased vaccination programs in the United States and the EU due to the stabilization of the COVID-19 pandemic; (iii) the expiration of royalty entitlements in certain geographies as expected for Rydapt; (iv) the continued expiry of the royalty entitlements in major geographic areas for the products in the Autoimmune Portfolio; and (v) the inclusion of the royalty litigation settlement of $750 in Other Products in 2022.

Royalty assets added to the portfolio subsequent to June 30, 2022 contributed $5,261 and $10,131 in royalty income for the three and six months ended June 30, 2023, respectively.

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

Interest and other income on loan receivable

Interest and other income was primarily comprised of interest earned and the premiums for prepayment on the loan receivable from CTI, which was repaid in full on June 26, 2023, as described on pages 5 and 22 of this MD&A. Interest and other income for the three and six months ended June 30, 2023 and 2022 is presented below:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest on principal loan receivable	$ **1,631**	$ 1,264	$ **3,264**	$ 2,514
Amortization of commitment fee	**343**	25	**368**	50
Accretion of exit fee received	**685**	50	**734**	99
Premiums for prepayment	**2,140**	—	**2,140**	—
Interest and other income on loan receivable	$ **4,799**	$ **1,339**	$ **6,506**	$ **2,663**

The increase in interest and other income on the loan receivable for the three and six months ended June 30, 2023 compared to the same period in 2022 is due to the prepayment of the loan receivable from CTI, as described on page 22 of this MD&A. Interest on the principal loan receivable for the three months ended June 30, 2023 of $1,631 represents interest accrued from April 1, 2023 to June 26, 2023, the date of the loan repayment (2022 – $1,264). Amortization of commitment fee for the three months ended June 30, 2023 of $343 represents accelerated recognition of the unamortized balance of the $500 commitment fee received by the Trust on August 25, 2021, the date of the loan agreement (2022 – $25). The accretion of the exit fee received for the three months ended June 30, 2023 of $685 represents accelerated recognition of the remaining receivable balance of the $1,000 exit fee the Trust was entitled to receive in accordance with the loan agreement (2022 – $50). The premiums for prepayment for the three and six months ended June 30, 2023 of $2,140 represent the present value of the interest income on the principal loan receivable bearing interest at LIBOR plus 8.25% from June 26, 2023 to August 25, 2023, in accordance with the loan agreement.

Amortization of royalty assets

Royalty assets are amortized over the estimated useful life of the assets, as described in note 2(c) to the Trust's 2022 annual consolidated financial statements. The Trust amortizes its royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into. During the three and six months ended June 30, 2023, the Trust recorded amortization of royalty assets of $19,600 and $38,768, respectively (2022 – $13,421 and $26,196, respectively).

The increase in amortization expense during the three and six months ended June 30, 2023 compared to the same period in 2022 is primarily due to the additional amortization recorded during the current period related to the assets acquired subsequent to June 30, 2022, as described on page 6 of this MD&A.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 28 of this MD&A. The Trust recorded management fees of $15,560 and $17,236, respectively, during the three and six months ended June 30, 2023 (2022 – $1,718 and $3,155, respectively).

The increase in management fees for the three and six months ended June 30, 2023 compared to the same period in 2022 is primarily due to $13,650 in management fees earned by our manager on the $210,000 received from the sale of the Trust's royalty interest in Tzield. Management fees also increased due to higher cash royalty receipts from our royalty portfolio for the three and six months ended June 30, 2023 compared to the same periods in 2022, as described on page 16 of this MD&A.

Performance fees

The Trust pays performance fees to our manager, as described on page 28 of this MD&A. The Trust recorded performance fees of $18,616 during the three and six months ended June 30, 2023 (2022 – nil). The conditions for performance fee payments were met during the three months ended June 30, 2023 as a result of the sale on the Trust's royalty interest in the worldwide net sales of Tzield, as described on page 6 of this MD&A.

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

Interest expense

On April 20, 2022, the Trust entered into an amended and restated credit agreement, as described on page 23 of this MD&A. On February 8, 2023, the Trust issued Preferred Securities in connection with the Private Placement described on page 24 of this MD&A, resulting in gross proceeds of $95,000.

Interest expense for the three and six months ended June 30, 2023 and 2022 is presented below. The increase in interest expense during the three and six months ended June 30, 2023 compared to the same period in 2022 was primarily due to (i) additional long-term debt the Trust has taken on subsequent to June 30, 2022 to fund transactions, as described on page 7 of this MD&A; and (ii) the additional interest expense accrued during the quarter related to the Preferred Securities issued on February 8, 2023, as described on page 24 of this MD&A. The Trust's long-term debt is discussed further on page 23 of this MD&A.

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest on credit facility net borrowings	$ 2,642	$ 543	$ 6,669	$ 767
Standby fees	247	247	380	404
Amortization of deferred transaction costs	396	58	701	95
Total interest expense on credit facilities	**$ 3,285**	**$ 848**	**$ 7,750**	**$ 1,266**
Interest on Preferred Securities	$ 2,014	$ —	$ 3,165	$ —
Accretion of par value	848	—	1,321	—
Amortization of deferred transaction costs	137	—	214	—
Total interest expense on Preferred Securities	**$ 2,999**	**$ —**	**$ 4,700**	**$ —**
Total interest expense	**$ 6,284**	**$ 848**	**$ 12,450**	**$ 1,266**

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 and six months ended June 30, 2023, the Trust recorded deal investigation and research expenses of $760 and $1,741, respectively (2022 – $774 and $1,650, respectively). Deal investigation and research expenses for the three months ended June 30, 2023 were comparable to the same period in 2022. The increase in deal investigation and research expenses for the six months ended June 30, 2023 was primarily due to the growth of the Trust's asset acquisition initiatives in the current year when compared with the same period in 2022.

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

Unit-based compensation

The Trust provides unit-based compensation under its Omnibus Equity Incentive Plan, as described in note 2(o) of the Trust's 2022 annual consolidated financial statements.

For the three and six months ended June 30, 2023, the unit-based compensation expense was $569 and $857, respectively (2022 – $24 and $551, respectively) and was comprised of Restricted Unit ("**RU**") grants, net of RU forfeitures during the period. As at June 30, 2023, the unit-based compensation liability was $1,311 (December 31, 2022 – $778), comprised of a current portion of $762 (December 31, 2022 – $509) and a long-term portion of $549 (December 31, 2022 – $269) related to the outstanding awards.

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

The table below provides the details of the RU grants up to June 30, 2023:

	Restricted Units
Balance – January 1, 2022	**441,769 Units**
Restricted Units granted:	
Granted on June 10, 2022[(i)]	41,028 Units
Distribution equivalent Units granted[(ii)]	9,187 Units
Vesting of Restricted Units	(53,051) Units
Forfeiture of Restricted Units	(108,759) Units
Balance – June 30, 2022	**330,174 Units**
Restricted Units granted:	
Granted on September 10, 2022[(i)]	60,000 Units
Granted on November 22, 2022[(iii)]	62,500 Units
Granted on November 22, 2022[(iv)]	22,500 Units
Distribution equivalent Units granted[(ii)]	9,584 Units
Vesting of Restricted Units	(84,834) Units
Forfeiture of Restricted Units	(7,330) Units
Balance – December 31, 2022	**392,594 Units**
Distribution equivalent Units granted[(ii)]	**31,040 Units**
Vesting of Restricted Units	**(54,230) Units**
Forfeiture of Restricted Units	**(22,771) Units**
Balance – June 30, 2023	**346,633 Units**

(i) Vesting equally over three years on each anniversary date.
(ii) 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.
(iii) Vesting on each of March 31, 2023, September 10, 2024 and September 10, 2025.
(iv) Vesting equally on September 10, 2023, September 10, 2024 and September 10, 2025.

No Options or Performance Units ("**PUs**") were granted as at June 30, 2023 and December 31, 2022. Certain members of the board of trustees elected to be compensated fully or partially in Deferred Units ("**DUs**"), as described in other operating expenses below.

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 and six months ended June 30, 2023, the Trust recorded total operating expenses of $1,242 and $2,322, respectively (2022 – $1,414 and $2,312, respectively).

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Board of trustees fees	**$ 341**	$ 111	**$ 469**	$ 227
Professional fees	**518**	945	**1,056**	1,497
Amortization of other current assets	**97**	—	**240**	—
Other expenses	**286**	358	**557**	588
Total other operating expenses	**$ 1,242**	**$ 1,414**	**$ 2,322**	**$ 2,312**

Board of trustees fees

Certain members of the board of trustees have elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan. The DUs granted pursuant to the election vest immediately and are settled in accordance with the established terms of the award agreement, but not earlier than the resignation or termination of the respective trustee from the board of trustees. All DUs are credited with distribution equivalents in the form of additional DUs on each distribution payment date in respect of which normal distributions are paid on the Trust's Units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate. DUs are initially recognized at fair value and are subsequently remeasured at fair value on each reporting date, as described in note 2(o) to the Trust's 2022 annual consolidated financial statements.

During the three and six months ended June 30, 2023, the board of trustees granted 12,483 and 29,974 DUs, respectively (2022 – 12,277 and 23,366, respectively) in lieu of cash compensation to trustees and 6,713 and 7,660 distribution equivalent Units, respectively (2022 – 315 and 447, respectively) in relation to the quarterly distributions. Board compensation expense for the three and six months ended June 30, 2023 included $295 and $377, respectively (2022 – $63 and $133, respectively) related to the issuance of DUs and the related distribution equivalents. The increase in DU expense in the three and six months ended June 30, 2023 over the same periods in the prior year is primarily due to a increase in the Unit price of the Trust and the addition of another independent trustee in the fourth quarter of 2022. The fair value of the DUs vested but not settled was $673 (December 31, 2022 – $296) and was included in other non-current liabilities.

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

Professional fees

For the three and six months ended June 30, 2023, the Trust recorded total professional fees of $518 and $1,056, respectively (2022 – $945 and $1,497, respectively) related to professional services including audit, legal, tax, valuation and consulting. The decrease for the three and six months ended June 30, 2023 was primarily due to higher legal fees incurred in 2022 associated with the litigation of a royalty asset and lower consulting fees incurred in 2023.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre Transaction, as described on page 7 of this MD&A, the Trust acquired an exclusive option for $500 to increase the annual net sales cap for Empaveli/Syfovre, on which the Trust would be entitled to royalty payments, from $500,000 to $1,100,000. The option was exercisable at the discretion of the Trust before June 1, 2023. The Trust did not exercise the option prior to its expiry. The Trust recorded the option as an other current asset initially at cost and amortized it on a straight-line basis over the period from July 20, 2022, the acquisition date of the royalty, to June 1, 2023, the expiry date of the option.

As at June 30, 2023, the option has been fully amortized and has no remaining net book value (December 31, 2022 – $240). For the three and six months ended June 30, 2023, the Trust recorded amortization related to the option of $97 and $240, respectively (2022 – nil).

Net gain on sale of royalty assets

For the three and six months ended June 30, 2023, the Trust recorded a net gain on the sale of its royalty assets of $109,606 (2022 – nil) related to the sale of its royalty interest in Tzield for gross proceeds of $210,000, as described on page 6 of this MD&A. The gain is net of the acquired royalties receivable of $96 recorded at the time of the purchase and transactions costs related to the sale of $847.

Weighted average number of Units

For the three months ended June 30, 2023, the Trust generated basic and fully diluted net earnings and comprehensive earnings per Unit of $2.00 (2022 – $0.08). For the six months ended June 30, 2023, the Trust generated basic and fully diluted net earnings and comprehensive earnings per Unit of $1.96 (2022 – $0.23). The weighted average number of Units outstanding for the purpose of calculating earnings per Unit were as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Basic	**37,487,973 Units**	38,654,707 Units	**37,623,590 Units**	38,698,930 Units
Diluted	**37,680,076 Units**	38,666,241 Units	**37,798,310 Units**	38,704,877 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:

	2023		2022				2021	
As at	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
Total assets	**$ 720,343**	$ 692,331	$ 633,419	$ 614,042	$ 450,167	$ 453,773	$ 436,695	$ 445,129
Credit facility and Preferred Securities(i)	**236,341**	290,576	212,358	186,858	50,858	54,881	40,205	26,945
Three months ended	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
Total income	**$ 28,058**	$ 28,236	$ 22,642	$ 26,471	$ 21,296	$ 22,625	$ 22,214	$ 23,409
Total expenses(ii)	**(62,631)**	(29,359)	(27,449)	(18,857)	(18,199)	(16,931)	(18,852)	(15,774)
Net gain on sale of royalty assets	**109,606**	—	—	—	—	—	—	—
Net earnings (loss) and comprehensive earnings (loss)	**$ 75,033**	$ (1,123)	$ (4,807)	$ 7,614	$ 3,097	$ 5,694	$ 3,362	$ 7,635
Net earnings (loss) per Unit								
Basic	**$ 2.00**	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08	$ 0.19
Diluted	**$ 2.00**	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08	$ 0.19
Distributions per Unit(iii)								
Cash	**$ 0.6084**	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.2950	$ 0.0375
Unit(iv)	**n/a**	n/a	$ 0.1655	n/a	n/a	n/a	$ 0.0360	n/a
Weighted average number of Units								
Basic	**37,487,973**	37,753,194	38,231,059	38,657,266	38,654,707	38,743,644	39,802,522	40,107,407
Diluted	**37,680,076**	37,821,801	38,270,508	38,694,492	38,666,241	38,743,769	39,810,526	40,107,407

(i) Total non-current financial liabilities for credit facility and Preferred Securities are shown before the deduction of deferred transaction costs, net of amortization, as discussed on page 23 of this MD&A.
(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.
(iii) Represent distributions declared during the period.
(iv) On December 21, 2022, the board of trustees declared a special Unit distribution of $0.1655 per Unit, totaling $6,254 to Unitholders of record as at December 31, 2022, which was issued on December 31, 2022. On December 22, 2021, the board of trustees declared a special Unit distribution of $0.035979841 per Unit, totaling $1,406 to Unitholders of record as at December 31, 2021, which was issued on December 31, 2021. Immediately following the special Unit distributions, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.

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 our 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. Total Cash Royalty Receipts refers to aggregate cash royalty receipts from our portfolio of royalty assets and forms part of Total Cash Receipts. Because of the lag between when we record royalty income and receive the corresponding cash payments on our royalties, we believe Total Cash Receipts and Total Cash Royalty Receipts are useful measures when evaluating our operations, as they represent actual cash generated in respect of all royalty assets held during a period. Commencing with this MD&A, we are also presenting 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 our loan receivable.

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

	Cash Receipts			Cash Receipts		
	Three months ended June 30, 2023	Three months ended June 30, 2022	% Change	Six months ended June 30, 2023	Six months ended June 30, 2022	% Change
Royalty Assets						
Empaveli/Syfovre	$ 251	$ —	n/a	$ 438	$ —	n/a
Eylea I	1,350	1,373	(2)%	2,724	2,791	(2)%
Eylea II	292	1,502	(81)%	1,416	3,030	(53)%
FluMist	30	—	n/a	1,475	2,218	(33)%
Natpara	610	649	(6)%	1,221	1,322	(8)%
Omidria	3,250	—	n/a	6,500	—	n/a
Oracea	1,261	1,959	(36)%	3,282	3,708	(11)%
Orserdu(i)	—	—	n/a	—	—	n/a
Rydapt	2,047	2,335	(12)%	4,850	5,298	(8)%
Spinraza	3,933	4,573	(14)%	8,039	8,851	(9)%
Stelara, Simponi and Ilaris(ii),(iii)	349	576	(39)%	800	2,386	(66)%
Vonjo	2,315	220	952 %	4,339	220	1872 %
Xenpozyme(iv)	—	—	n/a	—	—	n/a
Xolair	1,538	1,458	5 %	4,076	4,099	(1)%
Zejula	740	—	n/a	1,482	—	n/a
Zytiga	8,543	8,958	(5)%	8,543	8,958	(5)%
Other Products(v)	548	419	31 %	1,230	843	46 %
Total Cash Royalty Receipts(viii)	**$ 27,057**	**$ 24,022**	**13 %**	**$ 50,415**	**$ 43,724**	**15 %**
Interest receipts from loan receivable(vi)	$ 1,631	$ 1,264	29 %	$ 3,264	$ 2,514	30 %
Principal repayment of loan receivable(vi),(ix)	50,000	—	n/a	50,000	—	n/a
Exit fee received for loan receivable(vi),(ix)	1,000	—	n/a	1,000	—	n/a
Premiums for prepayment of loan receivable(vi),(ix)	2,140	—	n/a	2,140	—	n/a
Proceeds from sale of royalty assets(vii),(ix)	210,000	—	n/a	210,000	—	n/a
Total Cash Receipts(viii)	**$ 291,828**	**$ 25,286**	**1054 %**	**$ 316,819**	**$ 46,238**	**585 %**
Principal repayment of loan receivable(vi),(ix)	$ (50,000)	$ —	n/a	$ (50,000)	$ —	n/a
Exit fee received for loan receivable(vi),(ix)	(1,000)	—	n/a	(1,000)	—	n/a
Premiums for prepayment of loan receivable(vi),(ix)	(2,140)	—	n/a	(2,140)	—	n/a
Proceeds from sale of royalty assets(vii),(ix)	(210,000)	—	n/a	(210,000)	—	n/a
Normalized Total Cash Receipts(viii)	**$ 28,688**	**$ 25,286**	**13 %**	**$ 53,679**	**$ 46,238**	**16 %**

(i) The Trust completed a transaction in respect of Orserdu during the second quarter of 2023. In accordance with the terms of the royalty agreements, cash royalty receipts are collected on a one-quarter lag.
(ii) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The royalty assets include two royalty streams on each product, for a total of six royalty streams.
(iii) During the third quarter of 2021, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with Ilaris prior to the Trust's acquisition of the asset. Royalties receivable of $177 and $334 were used to reduce the obligation during the three and six months ended June 30, 2022, respectively. There is no remaining obligation as at June 30, 2023 (December 31, 2022 – nil) related to the past overpayments.
(iv) The Trust completed a transaction in respect of Xenpozyme during the fourth quarter of 2022. In accordance with the terms of the royalty agreements, cash royalty receipts are collected on a two-quarter lag from the respective half-year period.
(v) 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.
(vi) Interest receipts from loan receivable relates to the CTI loan, which was repaid in full on June 26, 2023, as described on page 22 of this MD&A. The interest receipt for the three months ended June 30, 2023 is related to the accrued interest from April 1, 2023 to June 26, 2023. In accordance with the loan agreement, the Trust was also entitled to receive an exit fee and prepayment premiums upon prepayment of the loan, which were received in the second quarter of 2023.
(vii) The Trust completed a transaction in respect of Tzield during the first quarter of 2023. On April 27, 2023, the Trust sold the Tzield royalty asset, as described on page 6 of this MD&A.
(viii) Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.
(ix) This item represents cash received by the Trust in the quarter that is not expected to recur in the normal course of our operations, as described on pages 5 and 6 of this MD&A. As such, this item is not included in Normalized Total Cash Receipts.

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

Normalized Total Cash Receipts during the three months ended June 30, 2023 were $28,688, representing an increase of $3,402 or 13% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of $28,006 during the three months ended June 30, 2023 (2022 – $21,291).

Total Cash Royalty Receipts during the three months ended June 30, 2023 increased by $3,035 or 13% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties for Empaveli/Syfovre, Omidria and Zejula, which were added to the portfolio subsequent to June 30, 2022 and contributed $4,241 during the current quarter; (ii) the inclusion of royalties for Vonjo of $2,024, which was approved by the FDA during the first quarter 2022 and as a result, had minimal commercial sales during the three months ended June 30, 2022; and (iii) an increase in royalties received related to Other Products. The increase in cash royalty receipts was partially offset by (i) 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; (ii) the decline in sales of Oracea and a change in the sales mix of the product; and (iii) the expected decline in worldwide sales of Spinraza due to declining market share as a result of competition.

Total Cash Receipts during the three months ended June 30, 2023 were $291,828, representing an increase of $266,542 compared to the same period in 2022, and include cash receipts related to the interest on the loan receivable to CTI, the repayment of the loan receivable by CTI, as described on page 22 of this MD&A, and associated exit fees and premiums, and the sale of the Trust's royalty interest in Tzield, as described on page 6 of this MD&A.

Cash interest receipts from the loan receivable were $1,631 for the three months ended June 30, 2023 and represent accrued interest payments received on the loan to CTI from April 1, 2023 to June 26, 2023, the date of the repayment of the loan receivable. Cash interest receipts increased by $367 or 29% compared to the same period in 2022 due to an increase in LIBOR based interest rates.

In accordance with the loan agreement with CTI, upon receiving repayment of the $50,000 principal amount of the loan, the Trust also received an exit fee of $1,000 and a premium for prepayment of $2,140. The Trust also received gross proceeds of $210,000 for the sale of its royalty interest in Tzield to a subsidiary of Sanofi. These cash receipts are not expected to recur and for comparability purposes they have been deducted from Total Cash Receipts when determining Normalized Total Cash Receipts.

Year-to-Date Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts

Normalized Total Cash Receipts during the six months ended June 30, 2023 were $53,679, representing an increase of $7,441 or 16% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of $56,005 during the six months ended June 30, 2023 (2022 – $43,916).

Total Cash Royalty Receipts during the six months ended June 30, 2023 increased by $6,691 or 15% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties for Empaveli/Syfovre, Omidria and Zejula, which were added to the portfolio subsequent to June 30, 2022 and contributed $8,420 during the six months ended June 30, 2023; (ii) and the inclusion of royalties for Vonjo of $4,339, which was approved by the FDA during the first quarter 2022 and as a result, had minimal commercial sales during the six months ended June 30, 2022; and (iii) an increase in royalties received related to Other Products. The increase in cash royalty receipts was partially offset by (i) 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; (ii) the decline in sales of FluMist due to decreased vaccination programs in the United States and the EU due to the stabilization of the COVID-19 pandemic; (iii) the decline in sales of Oracea and a change in the sales mix of the product; (iv) the expected decline in worldwide sales of Spinraza due to declining market share as a result of competition; and (v) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris.

For the six months ended June 30, 2023, the Trust's Total Cash Receipts were $316,819 (2022 – $46,238) and included cash receipts related to the interest on the loan receivable to CTI, the repayment of the loan receivable by CTI, and associated exit fees and premiums, and the sale of the Trust's royalty interest in Tzield, as described above.

Cash receipts from the loan receivable were $3,264 for the six months ended June 30, 2023 and represent the interest payments received on the loan to CTI for the period from January 1, 2023 to June 26, 2023, the date of the repayment of the loan. Cash interest receipts increased by $750 or 30% compared to the same period in 2022 due to an increase in LIBOR based interest rates.

In accordance with the loan agreement with CTI, upon receiving repayment of the $50,000 principal amount of the loan, the Trust also received an exit fee of $1,000 and a premium for prepayment of $2,140. The Trust also received gross proceeds of $210,000 for the sale of its royalty interest in Tzield to a subsidiary of Sanofi. These cash receipts are not expected to recur and for comparability purposes they have been deducted from Total Cash Receipts when determining Normalized Total Cash Receipts.

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

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 non-cash other interest income, non-cash royalty income, non-cash interest and other income on the loan receivable and the addition of cash received for the principal repayment of the loan receivable, the cash exit fee received on the repayment of the loan receivable and cash proceeds from the sale of the Trust's royalty assets. When reconciling to Normalized Total Cash Receipts, we further subtract cash receipts not expected to recur, such as principal repayments of loan receivable, exit fees, premiums for prepayment of loan receivable and proceeds from the sale of royalty assets. 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 and premiums for prepayment on loan receivable, since Total Cash Royalty Receipts is a measure of the Trust's cash royalty receipts from all products, excluding income from the Trust's debt instruments 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 June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Total income	$ 28,058	$ 21,296	$ 56,294	$ 43,921
[-] Other interest income	(52)	(5)	(289)	(5)
[+] Royalties receivable, beginning of period	30,774	31,590	27,748	30,148
[-] Royalties receivable, end of period	(29,110)	(27,498)	(29,110)	(27,498)
[+] Acquired royalties receivable(i)	2,186	—	2,282	—
[-] Non-cash royalty income(ii)	—	(22)	(4)	(179)
[-] Non-cash interest and other income on loan receivable(iii)	(1,028)	(75)	(1,102)	(149)
[+] Principal repayment of loan receivable	50,000	—	50,000	—
[+] Exit fee received for loan receivable(iii)	1,000	—	1,000	—
[+] Proceeds from sale of royalty assets	210,000	—	210,000	—
[=] Total Cash Receipts	**$ 291,828**	**$ 25,286**	**$ 316,819**	**$ 46,238**
[-] Principal repayment of loan receivable(iv)	(50,000)	—	(50,000)	—
[-] Exit fee received for loan receivable(iii),(iv)	(1,000)	—	(1,000)	—
[-] Premiums for prepayment of loan receivable(iv)	(2,140)	—	(2,140)	—
[-] Proceeds from sale of royalty assets(iv)	(210,000)	—	(210,000)	—
[=] Normalized Total Cash Receipts	**$ 28,688**	**$ 25,286**	**$ 53,679**	**$ 46,238**
[-] Interest and other income on loan receivable	(4,799)	(1,339)	(6,506)	(2,663)
[+] Non-cash interest and other income on loan receivable(iii),(iv)	1,028	75	1,102	149
[+] Premiums for prepayment of loan receivable(iv)	2,140	—	2,140	—
[=] Total Cash Royalty Receipts	**$ 27,057**	**$ 24,022**	**$ 50,415**	**$ 43,724**

(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 were reversed during the three months ended June 30, 2023 as the royalty asset and its associated royalty interest 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 for the three and six months ended June 30, 2022 of $177 and $334, respectively, was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at June 30, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and $4 (2022 – nil) were used to reduce the obligation during the three and six months ended June 30, 2023, respectively. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.

(iii) For the three and six months ended June 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $343 and $368, respectively (2022 – $25 and $50, respectively) and the accretion of exit fees receivable of $685 and $734, respectively (2022 – $50 and $99). In accordance with the loan agreement, the Trust received an exit fee of $1,000 as the loan was fully repaid in the second quarter of 2023, as described on page 22 of this MD&A. The exit fee of $1,000 received in the three months ended June 30, 2023 is a cash receipt not expected to recur in normal operations is excluded from Normalized Total Cash Receipts.

(iv) This item represents cash received by the Trust in the quarter that is not expected to recur in the normal course of our operations, as described on pages 5 and 6 of this MD&A. As such, this item is not included in Normalized Total Cash Receipts.

(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 and comprehensive earnings. We refer to EBITDA when reconciling our net earnings and comprehensive earnings to Adjusted EBITDA, but we do not use EBITDA as a measure of our performance.

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

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net earnings and comprehensive earnings	$ 75,033	$ 3,097	$ 73,910	$ 8,791
[+] Amortization of royalty assets	19,600	13,421	38,768	26,196
[+] Amortization of other current assets(i)	97	—	240	—
[-] Other interest income	(52)	(5)	(289)	(5)
[+] Interest expense	6,284	848	12,450	1,266
EBITDA	**100,962**	**17,361**	**125,079**	**36,248**
[+] Royalties receivable, beginning of period	30,774	31,590	27,748	30,148
[-] Royalties receivable, end of period	(29,110)	(27,498)	(29,110)	(27,498)
[+] Acquired royalties receivable(ii)	2,186	—	2,282	—
[+] Unit-based compensation(iii)	472	24	715	551
[+] Board of trustees unit-based compensation(iv)	295	63	377	133
[-] Non-cash royalty income(v)	—	(22)	(4)	(179)
[-] Non-cash interest and other income on loan receivable(vi)	(1,028)	(75)	(1,102)	(149)
[-] Premiums for prepayment of loan receivable(vii)	(2,140)	—	(2,140)	—
[-] Net gain on sale of royalty assets(viii)	(109,606)	—	(109,606)	—
[+] Management fee on sale of royalty asset(ix)	13,650	—	13,650	—
[+] Performance fee on sale of royalty asset(ix)	18,616	—	18,616	—
[=] Adjusted EBITDA	**$ 25,071**	**$ 21,443**	**$ 46,505**	**$ 39,254**

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 14 of this MD&A. The related amortization expense is recorded in other operating expenses.
(ii) Acquired royalties receivable represent the Trust's royalty entitlements prior to the completion of the royalty transactions they relate to, as described on page 7 of this MD&A. Acquired royalties receivable of $96 previously recognized for the Tzield Transaction was reversed during the three months ended June 30, 2023 as the royalty asset and its associated royalty interest was sold, as described on page 6 of this MD&A.
(iii) For the three and six months ended June 30, 2023, unit-based compensation expense was $569 and $857, respectively (2022 – $24 and $551, respectively), of which $97 and $142, respectively, were paid in cash during the three and six months ended June 30, 2023 (2022 – nil).
(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 13 of this MD&A.
(v) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three and six months ended June 30, 2022 of $177 and $334, respectively, was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at June 30, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and $4 (2022 – nil) were used to reduce the obligation during the three and six months ended June 30, 2023, respectively. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(vi) For the three and six months ended June 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $343 and $368, respectively (2022 – $25 and $50, respectively) and the accretion of exit fees receivable of $685 and $734, respectively (2022 – $50 and $99).
(vii) The Trust received a prepayment premium for prepayment of the loan receivable, as described on page 22 of this MD&A.
(viii) During the three and six months ended June 30, 2023, the Trust sold its royalty interest in Tzield, as described on page 6 of this MD&A.
(ix) During the three and six months ended June 30, 2023, the Trust paid management fees of $13,650 and recorded performance fees payable of $18,616 related to the sale of the Tzield royalty asset, pursuant to the investment management agreement, as described in note 2(n) to the Trust's 2022 annual consolidated financial statements.

Adjusted EBITDA during the three months ended June 30, 2023 was $25,071, representing an increase of $3,628 or 14% compared to the same period in 2022. Adjusted EBITDA during the six months ended June 30, 2023 was $46,505, representing an increase of $7,251 or 16% compared to the same period in 2022. The increase in Adjusted EBITDA for both the three and six months ended June 30, 2023 is primarily attributed to the increase in royalty income compared to the same periods in 2022. Royalty income increased by $3,255 and $8,246, respectively, for the three and six months ended June 30, 2023, compared to the same periods in 2022, as described on page 9 of this MD&A.

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. Commencing with this MD&A, Adjusted EBITDA Margin has been calculated for the three and six months ended June 30, 2023 and 2022 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 for the three and six months ended June 30, 2023, 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 and will be used going forward.

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

The calculation of Adjusted EBITDA Margin is presented below.

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Adjusted EBITDA	$ 25,071	$ 21,443	$ 46,505	$ 39,254
[÷] Normalized Total Cash Receipts	$ 28,688	$ 25,286	$ 53,679	$ 46,238
[=] Adjusted EBITDA Margin	**87%**	**85%**	**87%**	**85%**

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 June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net earnings and comprehensive earnings	$ 75,033	$ 3,097	$ 73,910	$ 8,791
[+] Amortization of royalty assets	19,600	13,421	38,768	26,196
[+] Amortization of other current assets(i)	97	—	240	—
[+] Unit-based compensation(ii)	472	24	715	551
[+] Board of trustees unit-based compensation(iii)	295	63	377	133
[-] Non-cash royalty income(iv)	—	(22)	(4)	(179)
[-] Non-cash interest and other income on loan receivable(v)	(1,028)	(75)	(1,102)	(149)
[-] Premiums for prepayment of loan receivable(vi)	(2,140)	—	(2,140)	—
[-] Net gain on sale of royalty assets(vii)	(109,606)	—	(109,606)	—
[+] Management fee on sale of royalty asset(viii)	13,650	—	13,650	—
[+] Performance fee on sale of royalty asset(viii)	18,616	—	18,616	—
Adjusted Cash Earnings	**$ 14,989**	**$ 16,508**	**$ 33,424**	**$ 35,343**
[÷] Weighted average number of Units – basic	37,487,973	38,654,707	37,623,590	38,698,930
[=] Adjusted Cash Earnings per Unit – basic	$ 0.40	$ 0.43	$ 0.89	$ 0.91
[÷] Weighted average number of Units – diluted	37,680,076	38,666,241	37,798,310	38,704,877
[=] Adjusted Cash Earnings per Unit – diluted	$ 0.40	$ 0.43	$ 0.88	$ 0.91

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 14 of this MD&A. The related amortization expense is recorded in other operating expenses.
(ii) For the three and six months ended June 30, 2023, unit-based compensation expense was $569 and $857, respectively (2022 – $24 and $551, respectively), of which $97 and $142, respectively (2022 – nil) were 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 13 of this MD&A.
(iv) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three and six months ended June 30, 2022 of $177 and $334, respectively, was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at June 30, 2023 (December 31, 2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of $155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and $4 (2022 – nil) were used to reduce the obligation during the three and six months ended June 30, 2023, respectively. Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of $136.
(v) For the three and six months ended June 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of $343 and $368, respectively (2022 – $25 and $50, respectively) and the accretion of exit fees receivable of $685 and $734, respectively (2022 – $50 and $99). In accordance with the loan agreement, the Trust received an exit fee of $1,000 as the loan was fully repaid in the second quarter of 2023, as described on page 22 of this MD&A. The accelerated exit fee income recognized in the three months ended June 30, 2023 is not expected to recur and is not included in Adjusted Cash Earnings.
(vi) The Trust received a prepayment premium for prepayment of the loan receivable, as described on page 22 of this MD&A. The prepayment premium is a cash earning that is not expected to recur and is not included in Adjusted Cash Earnings.
(vii) During the three and six months ended June 30, 2023, the Trust sold its royalty interest in Tzield, as described on page 6 of this MD&A. The net gain recognized on the sale of the Tzield royalty asset is an amount that is not expected to recur and is not included in Adjusted Cash Earnings.
(viii) During the three and six months ended June 30, 2023, the Trust paid management fees of $13,650 and recorded performance fees payable of $18,616 related to the sale of the Tzield royalty asset, pursuant to the investment management agreement, as described in note 2(n) to the Trust's 2022 annual consolidated financial statements. The management and performance fees resulting from the sale of the Tzield royalty asset are not expected to recur and are not included in Adjusted Cash Earnings.

Basic and diluted Adjusted Cash Earnings per Unit for the three and six months ended June 30, 2023 were $0.40 and $0.89, respectively, compared to $0.43 and $0.91, respectively, for the same periods in 2022. The decrease of $0.03 per Unit for both the three and six months ended June 30, 2023 is primarily attributed to an increase in certain recurring cash-based expenses, such as interest expense, included in net earnings and comprehensive earnings. Interest expense increased by $5,436 and $11,184 during the three and six months ended June 30, 2023, respectively, compared to the same periods in 2022, as described on page 12 of this MD&A. Partially offsetting these increases were increases in certain cash-based recurring income, such as royalty income, included in net earnings and comprehensive earnings. Royalty income increased by $3,255 and $8,246 during the three and six months ended June 30, 2023, respectively, compared to the same periods in 2022, as described on page 9 of this MD&A.

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

FINANCIAL REVIEW: FINANCIAL POSITION

As at June 30, 2023, the Trust had consolidated assets of $720,343 (December 31, 2022 – $633,419) and consolidated liabilities of $299,147 (December 31, 2022 – $261,078). The following table presents the components of consolidated assets and liabilities as at June 30, 2023 and December 31, 2022, followed by a discussion of significant categories of assets and liabilities.

		As at June 30, 2023		As at December 31, 2022
Assets				
Cash and cash equivalents	$	121,329	$	36,686
Royalties receivable		29,110		27,748
Other current assets		1,016		469
Current assets		151,455		**64,903**
Royalty assets, net of accumulated amortization		568,165		518,134
Loan receivable		—		49,897
Other non-current assets		723		485
Non-current assets		568,888		**568,516**
Total assets	$	720,343	$	**633,419**
Liabilities				
Accounts payable and accrued liabilities	$	3,144	$	5,542
Distributions payable to Unitholders		22,812		2,834
Performance fees payable		18,616		—
Current portion of credit facility		20,813		34,571
Current portion of unit-based compensation liability		762		509
Other current liabilities		136		6,640
Current liabilities		66,283		**50,096**
Credit facility		140,260		210,417
Preferred Securities		91,382		—
Unit-based compensation liability		549		269
Other non-current liabilities		673		296
Total liabilities	$	299,147	$	**261,078**

Royalty assets

As at June 30, 2023, the net book value of our royalty assets was $568,165 (December 31, 2022 – $518,134), net of accumulated amortization of $136,749 (December 31, 2022 – $99,147). During the three and six months ended June 30, 2023, the Trust recorded additions to the cost of its royalty assets totaling $87,633 and $188,249, respectively (December 31, 2022 – $283,742) related to the royalty transactions, as described on page 6 of this MD&A. In addition, the Trust recorded a disposition to the cost of its royalty assets of $100,616 and related accumulated amortization of $1,166 (December 31, 2022 – $1,956 and $1,956, respectively) related to the Tzield sale, as described on page 6 of this MD&A.

Loan receivable

On August 25, 2021, the Trust provided CTI $50,000 in secured debt, the proceeds of which were used by CTI to partially fund the commercialization of Vonjo. Vonjo is used for the treatment of myelofibrosis patients with severe thrombocytopenia.

On June 26, 2023, CTI prepaid all amounts outstanding under the loan agreement, resulting in a prepayment of $54,771, which included $50,000 for the principal balance outstanding, $1,000 for exit fees, $1,631 for accrued interest and $2,140 for prepayment premiums. The loan prepayment was driven by Sobi's acquisition of CTI. As a result of the prepayment, the loan agreement between the Trust and CTI was terminated. The Trust maintains its royalty investment in Vonjo pursuant to the purchase and sale agreement that was entered into on August 25, 2021, as described on page 7 of this MD&A.

The loan receivable bore interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and was set to mature on August 25, 2026. We were also entitled to receive an exit fee of 2.00% on the principal balance repaid. Interest payments were due quarterly and the principal amount of the loan was due on maturity.

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

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

	As at June 30, 2023	As at December 31, 2022
Principal loan receivable	$ —	$ 50,000
Unamortized commitment fee	—	(368)
Exit fee receivable	—	265
Loan receivable	**$ —**	**$ 49,897**

Distributions payable to Unitholders

As at June 30, 2023, the Trust had distributions payable of $22,812, representing a special cash distribution of $20,000 declared on April 27, 2023 to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023 and a quarterly cash distribution of $2,812 declared on May 11, 2023 to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023.

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

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

Credit facility and Preferred Securities

Credit facility

On October 22, 2021, the Trust entered into a credit agreement (the "**credit agreement**") for credit facilities comprised of (i) a $175,000 senior secured revolving acquisition credit facility ("**acquisition credit facility**") with the initial amounts drawn used to repay the balance of the previously outstanding secured notes and the remaining capacity to be used for financing future transactions; and (ii) a $25,000 senior secured revolving working capital credit facility ("**working capital credit facility**", together with the acquisition credit facility, the "**credit facility**"), the proceeds from which are to be used for general business purposes or to finance future transactions. The unused portion of the credit facility is subject to standby fees of 0.40% to 0.50% based on the Trust's leverage ratio.

On April 20, 2022, the Trust entered into an amended and restated credit agreement (the "**amended credit agreement**"), as amended from time to time, that added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan ("**term credit facility**") which can be drawn against to fund future transactions. As part of the first amendment, the interest rate for new drawings on the amended credit facility was revised from LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio to SOFR plus (i) a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing.

On March 30, 2023, the Trust further amended its amended credit agreement to revise the total credit available to $225,000 under the acquisition credit facility and $88,750 under the term credit facility, and to adjust certain financial covenants to provide greater flexibility (the "**amended credit facility**"). The interest rate on the amended credit facility was also revised to SOFR plus (i) a margin which may vary from 2.00% to 2.75% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing. The range of standby fees was revised to 0.40% to 0.55% based on the Trust's leverage ratio. The maturity date of the amended credit facility was also extended to March 30, 2026 from the original maturity date of October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders. All other material terms of the credit agreement remain unchanged.

Interest payments are due on a quarterly basis and principal repayments totaling 3.75% of a predetermined reference amount are due on a quarterly basis for the acquisition credit facility and term credit facility. Principal repayments on the working capital credit facility are due on maturity. Principal repayments do not result in a corresponding decrease in the borrowing capacity under the acquisition credit facility and working capital credit facility. As principal repayments result in a corresponding cancellation in the borrowing capacity under the term credit facility, there is no remaining available credit under the term credit facility as at June 30, 2023 (December 31, 2022 – nil).

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

	As at June 30, 2023			As at December 31, 2022
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	$ 225,000	$ 143,188	$ 81,812	$ 102,554
Working capital credit facility	25,000	25,000	—	—
Term credit facility	88,750	—	81,250	144,375
	$ 338,750	$ 168,188	$ 163,062	**$ 246,929**
Deferred transaction costs, net of amortization	n/a	n/a	(1,989)	(1,941)
Total	$ 338,750	$ 168,188	$ 161,073	**$ 244,988**
Current portion of credit facility			$ 20,813	$ 34,571
Long-term portion of credit facility			140,260	210,417
Total			$ 161,073	**$ 244,988**

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

The decrease in the carrying amount of the amended credit facility is attributed to the voluntary principal repayments made by the Trust during the six months ended June 30, 2023 of $214,422 (2022 – $30,526), using the proceeds from the issuance of the Preferred Securities, as described below, and the proceeds from the sale of Tzield, as described on page 6 of this MD&A. During the six months ended June 30, 2023, the Trust also made regular principal repayments of $28,159 (2022 – $8,048), for total credit facility repayments of $242,581 (2022 –$38,574).

The decrease in the carrying amount was partially offset by drawings made to fund the royalty transactions, as described on page 6 of this MD&A. On March 6, 2023, the Trust drew $70,000 from the acquisition credit facility to fund the royalty transaction on Tzield. The remaining amount of the transaction was funded by the Trust's existing cash and cash flows. On April 3, 2023, the Trust drew $3,715 from the acquisition credit facility to fund the royalty transaction on the additional royalty stream for Empaveli/Syfovre. On June 28, 2023, the Trust drew $85,000 from the acquisition credit facility to fund the royalty transaction on Orserdu.

Subsequent to June 30, 2023, the Trust drew $75,000 from the acquisition credit facility to fund the purchase of an additional royalty stream on Orserdu, as described on page 7 of this MD&A, leaving the total available credit under the amended credit facility as $93,188.

The following table presents expected principal repayments to be made until the maturity of the amended credit facility as at June 30, 2023:

		Total
Remainder: 2023	$	6,938
Full year: 2024		34,688
Full year: 2025		27,750
Full year: 2026		93,686
	$	**163,062**

The Trust is subject to certain financial as well as customary non-financial covenants under the amended credit agreement. Certain compliance requirements have also been revised as part of the amended credit facility. Substantially all of the assets of the Trust are pledged as collateral under the amended credit agreement. As at June 30, 2023, the Trust was in compliance with all covenant requirements under the amended credit agreement.

Preferred Securities

On February 8, 2023, the Trust completed a Private Placement that provided gross proceeds of $95,000 to the Trust through the sale of $95,000 principal amount of Series A Preferred Securities, $19,760 principal amount of Series B Preferred Securities and the issuance Warrants. The proceeds are to be used to finance future transactions or to repay amounts owing under the Trust's amended credit facility. The Warrants are further described on page 27 of this MD&A. The Preferred Securities are unsecured, subordinated debt securities of the Trust. The Preferred Securities will initially pay cash interest at a rate of 7.04% per annum on the principal amount of the Preferred Securities, payable semi-annually on June 30 and December 31 of each year.

The Series A Preferred Securities will mature on February 8, 2073 and the Series B Preferred Securities will mature on December 27, 2027. The Series A Preferred Securities can be redeemed at par, at the option of the Trust, at any time from and after December 27, 2027. The Preferred Securities will not be redeemable by the Trust prior to December 27, 2027, except in the event of a change of control of the Trust, in which case the Preferred Securities will be subject to a mandatory redemption.

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

The Trust initially recognized the Preferred Securities using a discount rate of 12.77%, which is indicative of the fair market value of the Preferred Securities at the time of issuance. The carrying amount of the Preferred Securities is accreted to its par value up until December 27, 2027, which is the date at which the Series A Preferred Securities may be redeemed by the Trust and the stated maturity date for the Series B Preferred Securities. Deferred transaction costs of $2,923 were also initially recognized and are being amortized using the effective interest rate method over the same period as the Preferred Securities accretion period.

The carrying amount of the Preferred Securities is presented below:

		As at June 30, 2023		As at December 31, 2022
Series A	$	77,891	$	—
Series B		16,201		—
	$	94,092	$	—
Deferred transaction costs, net of amortization		(2,710)		—
Total	$	91,382	$	—

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

FINANCIAL REVIEW: CASH FLOWS

The Trust generated the following cash flows during the six months ended June 30, 2023 and 2022.

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash and cash equivalents – beginning of period	$ 36,686	$ 61,712
Cash provided by operating activities	29,516	36,007
Cash provided by (used in) financing activities	(14,373)	2,811
Cash provided by (used in) investing activities	69,500	(57,486)
Change in cash and cash equivalents	84,643	(18,668)
Cash and cash equivalents – end of period	$ 121,329	$ 43,044

During the six months ended June 30, 2023, the Trust generated cash flows provided by operating activities of $29,516 (2022 – $36,007) primarily related to cash royalties received.

For the six months ended June 30, 2023, the Trust used cash flows of $14,373 in financing activities. The Trust completed a Private Placement to a group of investors, as described on page 22 of this MD&A. The Private Placement provided proceeds to the Trust of $92,003, net of transaction fees. The Trust borrowed $158,715 from its amended credit facility and used cash flows of $242,581 to make principal repayments, $14,202 to make related interest payments and $752 to pay debt issuance costs. During the same period, the Trust also used cash flows of $1,769 to repurchase Trust Units under its NCIB plan, $142 to pay withholding tax related to the RUs vesting and paid cash distributions of $5,645 to Unitholders. For the six months ended June 30, 2022, the Trust generated $2,811 in cash provided by financing activities. The Trust borrowed $60,000 from its amended credit facility and used cash flows of $38,574 to make principal repayments, $1,036 to make related interest payments and $643 to pay debt issuance costs. During the same period, the Trust also used cash flows of $2,510 to repurchase Trust Units under its NCIB plan, and paid cash distributions of $14,426.

For the six months ended June 30, 2023, the Trust generated $69,500 in cash provided by investing activities primarily related to the proceeds from the sale of the Tzield royalty asset transaction of $210,000, as described on page 6 of this MD&A. The Trust also used cash of $195,186 for the royalty asset transactions, as described on page 6 of this MD&A, and the Vonjo milestone payment, as described on page 7 of this MD&A. The Trust also received repayment of its outstanding CTI secured debt of $53,140 and cash interest of $3,264 related to the CTI secured debt, as described on page 22 of this MD&A. For the six months ended June 30, 2022, the Trust used cash flows of $57,486 in investing activities primarily related to $60,000 for the Vonjo royalty asset transaction, as described on page 7 of this MD&A. During the same period, the Trust also received cash interest of $2,514 related to the CTI secured debt.

EQUITY

Authorized equity

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

Units

Each Unit represents a proportionate undivided beneficial ownership interest in the Trust, which entitles the holder to one vote, participation in distributions made by the Trust on a pro rata basis and, in the event of the termination or winding-up of the Trust, in the pro rata share of its net assets remaining after the satisfaction of all its liabilities. Units are discussed in further detail in note 8 to the consolidated financial statements. As at June 30, 2023, 37,494,980 Units (December 31, 2022 – 37,790,395 Units) were outstanding at a cost of $371,990 (December 31, 2022 – $373,577).

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

The following table outlines the changes in the number of Units outstanding from December 31, 2021 to June 30, 2023:

	Units		Weighted Average Cost per Unit		Total Cost
Balance – December 31, 2021	**39,079,680**		**n/a**	**$**	**374,034**
Issuance of Units:					
Units issued on the vesting of Restricted Units	53,051	$	5.30	$	281
Repurchase and cancellation of Units – NCIB	(477,980)	$	5.25	$	(2,510)
Balance – June 30, 2022	**38,654,751**		**n/a**	**$**	**371,805**
Issuance of Units:					
Units issued on the vesting of Restricted Units	46,104	$	5.88	$	271
Repurchase and cancellation of Units – NCIB	(910,460)	$	5.22	$	(4,753)
Unit distributions to Unitholders	1,094,397	$	5.71	$	6,254
Consolidation of Units	(1,094,397)		n/a		n/a
Balance – December 31, 2022	**37,790,395**		**n/a**	**$**	**373,577**
Issuance of Units:					
Units issued on the vesting of Restricted Units	**30,238**	**$**	**6.02**	**$**	**182**
Repurchase and cancellation of Units – NCIB	**(325,653)**	**$**	**5.43**	**$**	**(1,769)**
Balance – June 30, 2023	**37,494,980**		**n/a**	**$**	**371,990**

Follow-on offering of Units

Subsequent to June 30, 2023, 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). As at August 14, 2023, the aggregate number of Units outstanding was 46,717,980.

Vesting of Restricted Units

During the six months ended June 30, 2023, the Trust issued 30,238 Units on the vesting of RUs, 8,727 of which were granted on October 8, 2021, 8,805 of which were granted on June 10, 2022 and 12,706 of which were granted on November 22, 2022, as described on page 12 of this MD&A.

During the six months ended June 30, 2022, the Trust issued 53,051 Units on the vesting of RUs, which were granted on October 8, 2021, as described on page 12 of this MD&A.

For the period from July 1, 2022 to December 31, 2022, the Trust issued a total of 46,104 Units on the vesting of RUs, 11,019 of which were granted on September 10, 2021 and 35,085 of which were granted on November 30, 2021.

Normal course issuer bid

On September 30, 2021, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 1,500,000 Units of the Trust for cancellation between October 5, 2021 and October 4, 2022, as described on page 5 of this MD&A. In connection with the September 2021 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

On March 8, 2022, the Trust was granted approval by the TSX to amend its September 2021 NCIB and increase the total number of Units that can be repurchased under the September 2021 NCIB to 2,500,000 Units. The September 2021 NCIB expired on October 4, 2022.

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

During the six months ended June 30, 2023, the Trust acquired and cancelled 325,653 Units at an average price of $5.43, totaling $1,769. As at June 30, 2023, in aggregate, the Trust had acquired and cancelled 2,757,163 Units at an average Unit price of $5.26, totaling $14,510 under the NCIB plan.

Preferred Units

Preferred Units rank on a parity with the Preferred Units of every other series and are entitled to preference over our Units and any other of our Units ranking junior to the Preferred Units with respect to payment of distributions. Preferred Units are discussed in further detail in note 8 to the consolidated financial statements. As at June 30, 2023, no Preferred Units had been issued or were outstanding (December 31, 2022 – nil).

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

Warrants

In connection with the February 2023 Private Placement, as described on page 24 of this MD&A, the Trust issued 6,369,180 Warrants to the Private Placement investors. Each whole Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of $11.62 at any time until the expiry of the Warrant on February 8, 2028. The Warrant exercise price represents a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The Warrants are not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the Warrants are listed on the TSX. The Warrants are included in other equity. Transaction costs associated with the issuance totaled $74 and were recorded as a reduction in other equity.

The fair value of the Warrants was estimated at $2,229 on issuance date using the Black-Scholes valuation model. The assumptions used to determine the fair value of the Warrants include: (i) exercise price of $11.62; (ii) average risk-free interest rate of 3.558%; (iii) expected Warrant life of five years; (iv) average expected volatility of 30%; and (v) expected distribution yield of 5.579%.

As at June 30, 2023, the net value of the Warrants recognized in other equity is $2,155 (December 31, 2022 – nil).

Distributions

The following table presents cash and Unit distributions made by the Trust during the year ended December 31, 2022 and the six months ended June 30, 2023:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
2022				
Q1 2022 – Quarterly cash distribution	March 31, 2022	April 20, 2022	$ 0.0750	$ 2,898
Q2 2022 – Quarterly cash distribution	June 30, 2022	July 20, 2022	$ 0.0750	$ 2,899
Q3 2022 – Quarterly cash distribution	September 30, 2022	October 20, 2022	$ 0.0750	$ 2,900
Q4 2022 – Quarterly cash distribution	December 31, 2022	January 20, 2023	$ 0.0750	$ 2,834
Q4 2022 – Unit distribution(i)	December 31, 2022	n/a	$ 0.1655	$ 6,254
Total			**$ 0.4655**	**$ 17,785**
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(ii)	June 30, 2023	July 20, 2023	**$ 0.5334**	**$ 20,000**
Total			**$ 0.6834**	**$ 25,623**

(i) On December 21, 2022, the board of trustees declared a special Unit distribution of $0.1655 per Unit, totaling $6,254 to Unitholders of record as at December 31, 2022, which was issued on December 31, 2022. Immediately following the special Unit distribution, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.
(ii) On April 27, 2023, the board of trustees declared a special cash distribution totaling $20,000 to Unitholders of record as at June 30, 2023 and payable on July 20, 2023.

During the three and six months ended June 30, 2023, the board of trustees declared distributions totaling $22,812 and $25,623, respectively (2022 – $2,899 and $5,797, respectively), $20,000 of which is a special cash distribution. During the year ended December 31, 2022, the board of trustees declared distributions totaling $17,785, comprised of cash distributions of $11,531 and a Unit distribution of $6,254.

On August 14, 2023, the board of trustees declared a quarterly cash distribution of $0.0750 per Unit to Unitholders of record as at September 30, 2023 and payable on October 20, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, the Trust's capital was $631,373 (December 31, 2022 – $620,506) and consisted of its Unitholders' capital of $371,990 (December 31, 2022 – $373,577), Preferred Securities of $94,092 (December 31, 2022 – nil), Warrants of $2,229 (December 31, 2022 – nil) and credit facilities of $163,062 (December 31, 2022 – $246,929).

The Trust's objectives in managing capital are to:

- Build long-term value for its Unitholders;
- Maintain optimal liquidity for pursuing acquisitions, meeting its obligations and making distributions to Unitholders;
- Achieve reasonable return on capital and control the risk and exposure associated with capital investments; and
- Maintain an optimal capital structure and reduce the cost of capital.

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

Our primary ongoing source of liquidity is cash provided by operating activities. The Trust generated $29,516 of cash provided by operating activities during the six months ended June 30, 2023.

Additionally, the Trust completed the Private Placement on February 8, 2023, as described on page 24 of this MD&A. The Private Placement provided gross proceeds to the Trust of $95,000 through the sale of $95,000 principal amount of Series A Preferred Securities, $19,760 principal amount of Series B Preferred Securities and the issuance 6,369,180 Warrants, further increasing the Trust's capital.
The Trust also further amended its credit facility on March 30, 2023, as described on page 23 of this MD&A. Under the amended credit

facility, the total credit available was revised to $225,000 from $175,000 for the acquisition credit facility and to $88,750 from $150,000 for the term credit facility.

We believe our existing capital resources and cash provided by operating activities will continue to allow us to meet our operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of our credit facility for the foreseeable future.

As at June 30, 2023, the Trust was in compliance with all externally imposed capital requirements.

Subsequent to June 30, 2023, on July 19, 2023, the Trust completed a follow-on public offering of its Units. The offering provided gross proceeds to the Trust of $74,086 (C$97,764) through the issuance of 9,223,000 Units at $8.03 (C$10.60) per Unit, further increasing the Trust's capital.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of Vonjo, as described on page 7 of this MD&A. In accordance with the terms of the royalty agreement, CTI may be entitled to additional consideration of $18,500 in the event that Vonjo sales exceed certain thresholds within a predefined period of time.

On September 9, 2022, the Trust entered into the Zejula transaction, as described on page 8 of this MD&A. In accordance with the terms of the royalty agreement, the Trust is committed to making a milestone payment of $10,000 should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025.

On November 25, 2022, the Trust entered into the Xenpozyme transaction, as described on page 8 of this MD&A. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional consideration of up to $26,500 in the event that cumulative royalties received by the Trust on Xenpozyme sales exceed certain thresholds within a predefined period of time.

On 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.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at June 30, 2023.

RELATED-PARTY TRANSACTIONS

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

Management fees

Under the management agreement, the Trust is required to pay quarterly management fees to our manager or its affiliates equal to 6.50% of total cash receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter, as described in note 2(m) to the Trust's 2022 annual consolidated financial statements. During the three and six months ended June 30, 2023, the Trust recorded management fees to our manager of $15,560 and $17,236, respectively (2022 – $1,718 and $3,155, respectively). Management fees for the three and six months ended June 30, 2023 include $13,650 earned by our manager on the sale of the Tzield royalty asset, as discussed on page 6 of this MD&A.

Performance fees

Our manager is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement, as described in note 2(n) to the Trust's 2022 annual consolidated financial statements.

The Trust recorded performance fees payable of $18,616 during the three and six months ended June 30, 2023 (2022 – nil). On April 27, 2023, the Trust sold its royalty interest in Tzield for $210,000, as described on page 6 of this MD&A. As a result, the conditions for performance fee payments to the manager have been met. Payment of the performance fee is expected to occur in the third quarter of 2023.

Key management compensation

During the three and six months ended June 30, 2023 and 2022, the Trust issued compensation to members of the board of trustees, as described on page 13 of this MD&A.

During 2021, the Trust issued compensation to certain officers of the Trust in the form of 20,000 RUs which vest equally over three years and 2,584 units which vested and were issued immediately. To date, the Trust has issued 5,960 Units on the vesting of the RUs, of which 2,584 were issued in 2021 and 3,376 were issued in 2022. During the three and six months ended June 30, 2023, the Trust recorded unit-based compensation expense of $33 and $39, respectively (2022 – $15 and $39, respectively) 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 2022 annual consolidated financial statements. The Trust added a new accounting policy in the current year, as described below.

Warrants

The Trust has classified its Warrants as other equity pursuant to the provisions of IAS 32, *Financial instruments: Presentation*, on the basis that the Warrants meet all of the criteria in IAS 32 for such classification. The Warrants are recognized at fair value, with no subsequent remeasurements recorded.

Closing and transaction costs attributable to the issuance of these Warrants are shown in other equity as a reduction from the fair value of such Warrants.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of these consolidated financial statements, the Trust has used consistent judgment and estimates as described in note 3 to the Trust's 2022 annual consolidated financial statements.

SUBSEQUENT EVENTS

Additional Vonjo royalty stream

On July 7, 2023, the Trust bought an additional royalty stream on Vonjo for $66,000, as described on page 7 of this MD&A. This royalty is in addition to our existing Vonjo royalty. The transaction was funded on July 25, 2023 and entitles the Trust to a tiered royalty on worldwide net sales of Vonjo. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023, with the first payment expected to be received in Q3 2023. The Trust is also entitled to receive up to $107,500 in milestone payments.

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).

Additional Orserdu Royalty Stream

On August 14, 2023, the Trust bought an additional royalty stream on Orserdu for $130,000, as described on page 7 of this MD&A. This royalty is in addition to our existing Orserdu royalty. The transaction entitles the Trust to a net low to high single digit tiered royalty on the worldwide net sales of Orserdu. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2023, with the first payment expected to be received in the fourth quarter of 2023. In accordance with the royalty agreement, the Trust is also entitled to receive milestone payments on the achievement of sales performance thresholds. Upon the occurrence of pre-specified events, the Trust is obligated to pay a $10,000 milestone to the royalty seller. The transaction was partially funded through drawings from the Trust's credit facility, as described on page 24 of this MD&A.

2023 third quarter distribution declared

On August 14, 2023, the board of trustees declared a quarterly distribution of $0.0750 per Unit to Unitholders of record as at September 30, 2023 and payable on October 20, 2023.