



DRI HEALTHCARE TRUST

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>		As at September 30, 2022	As at December 31, 2021
Assets			
Cash and cash equivalents		\$ 20,467	\$ 61,712
Royalties receivable		36,386	30,148
Other current assets		762	567
Current assets		57,615	92,427
Royalty assets, net of accumulated amortization	note 5	505,507	293,658
Loan receivable	note 6	49,821	49,606
Other non-current assets		1,099	1,004
Non-current assets		556,427	344,268
Total assets		\$ 614,042	\$ 436,695
Liabilities			
Accounts payable and accrued liabilities		\$ 4,237	\$ 1,557
Distributions payable to Unitholders	note 8	2,900	11,528
Current portion of long-term debt	note 7	30,071	5,321
Current portion of unit-based compensation liability	note 10	467	233
Other current liabilities	note 4	6,644	334
Current liabilities		44,319	18,973
Long-term debt	note 7	184,699	38,600
Unit-based compensation liability	note 10	287	137
Other non-current liabilities		205	—
Total liabilities		229,510	57,710
Equity			
Unitholders' capital	note 8	371,873	374,034
Retained earnings		12,659	4,951
Total equity		384,532	378,985
Total liabilities and equity		\$ 614,042	\$ 436,695

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS AND OTHER COMPREHENSIVE EARNINGS

<i>(unaudited)</i>		Three months ended		Nine months ended	
<i>(in thousands of U.S. dollars except per unit data)</i>		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Income					
Royalty income	note 5	\$ 25,037	\$ 22,861	\$ 66,290	\$ 59,000
Interest income on loan receivable	note 6	1,406	544	4,069	544
Other interest income		28	4	33	7
Total income		26,471	23,409	70,392	59,551
Expenses					
Amortization of royalty assets	note 5	13,992	11,125	40,188	28,923
Management fees	note 17	1,322	1,113	4,477	4,163
Interest expense	note 7	1,351	383	2,617	1,111
Servicer fees	note 17	—	400	—	978
Deal investigation and research expenses	note 11	715	602	2,365	1,531
Unit-based compensation	note 10	298	25	849	25
Other operating expenses	note 12	1,179	1,463	3,491	4,036
Other items	note 5	—	718	—	718
Net gain on interest rate derivatives		—	3	—	—
Net gain on foreign exchange derivatives		—	(58)	—	(135)
Total expenses		18,857	15,774	53,987	41,350
Net earnings and comprehensive earnings		\$ 7,614	\$ 7,635	\$ 16,405	\$ 18,201
Net earnings and comprehensive earnings per unit					
Basic	note 9	\$ 0.20	\$ 0.19	\$ 0.42	\$ 0.55
Diluted	note 9	\$ 0.20	\$ 0.19	\$ 0.42	\$ 0.55

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Unitholders' Capital	Other Equity	Retained Earnings	Total Equity
Balance – December 31, 2020	\$ —	\$ —	\$ —	\$ —
Issuance of Units:				
Initial private offering	note 8 34,730	—	—	34,730
Initial public offering	note 8 365,270	—	—	365,270
Units issuance costs	note 8 (21,997)	—	—	(21,997)
Reserve for Units subject to automated purchase plan	note 8 —	(981)	—	(981)
Cash distributions to Unitholders	note 8 —	—	(3,678)	(3,678)
Net earnings	—	—	18,201	18,201
Balance – September 30, 2021	\$ 378,003	\$ (981)	\$ 14,523	\$ 391,545
Balance – December 31, 2021	\$ 374,034	\$ —	\$ 4,951	\$ 378,985
Issuance of Units:				
Vesting of Restricted Units	note 8, 10 349	—	—	349
Repurchase and cancellation of Units	note 8 (2,510)	—	—	(2,510)
Cash distributions to Unitholders	note 8 —	—	(8,697)	(8,697)
Net earnings	—	—	16,405	16,405
Balance – September 30, 2022	\$ 371,873	\$ —	\$ 12,659	\$ 384,532

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>		Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating Activities			
Net earnings	\$	16,405	\$ 18,201
Adjustment to net earnings for:			
Interest income on loan receivable	note 6	(4,069)	(544)
Other interest income		—	(7)
Interest expense	note 7	2,617	1,111
Amortization of royalty assets	note 5	40,188	28,923
Unit-based compensation expense	note 10	849	25
Net gain on foreign exchange derivatives		—	(135)
		55,990	47,574
Changes in non-cash working capital:			
Royalties receivable		(4,872)	14,155
Other current assets		305	(7,690)
Other non-current assets		238	(1,067)
Accounts payable and accrued liabilities		(329)	1,655
Other current liabilities		(190)	525
Other non-current liabilities		205	—
		(4,643)	7,578
Cash provided by operating activities	\$	51,347	\$ 55,152
Financing Activities			
Issuance of Unitholders' capital	note 8	\$ —	\$ 400,000
Unit issuance costs	note 8	—	(21,423)
Repurchase and cancellation of Units	note 8	(2,510)	—
Distributions to Unitholders paid in cash	note 8	(17,325)	(2,174)
Drawings from credit facility	note 7	220,000	—
Repayment of credit facility	note 7	(48,598)	—
Repayment of secured notes	note 7	—	(23,193)
Cash interest paid	note 7	(1,452)	(1,009)
Debt issuance costs paid		(718)	—
Other financing activities		—	435
Cash provided by financing activities	\$	149,397	\$ 352,636
Investing Activities			
Purchase of royalty assets and other net assets, net of cash	note 4	\$ (244,500)	\$ (324,327)
Investment in loan receivable, net of commitment fees received	note 6	—	(49,500)
Cash transaction costs paid	note 4	(1,343)	(206)
Cash interest received	note 6	3,854	7
Other investing activities		—	5
Cash used in investing activities	\$	(241,989)	\$ (374,021)
Increase in cash and cash equivalents	\$	(41,245)	\$ 33,767
Cash and cash equivalents, beginning of period		61,712	—
Cash and cash equivalents	\$	20,467	\$ 33,767

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

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

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

DRI Healthcare Trust’s Units are listed on the Toronto Stock Exchange in Canadian dollars under the symbol “DHT.UN” and in U.S. dollars under the symbol “DHT.U”.

The registered address for DRI Healthcare Trust is 100 King Street West, Suite 7250, Toronto, Ontario, M5X 1B1, Canada.

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

These unaudited interim condensed consolidated financial statements (“consolidated financial statements”) were authorized for issuance by the board of trustees on November 7, 2022.

NOTE 1 | BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”). Accordingly, certain financial information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These consolidated financial statements should be read in conjunction with the Trust’s audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2021 (“2021 annual consolidated financial statements”).

(b) Basis of Measurement

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

(c) Basis of Consolidation

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

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

Entity	Date of Control	Jurisdiction of Organization	Economic Interest ⁽ⁱ⁾
DRI Healthcare ICAV	February 19, 2021	Ireland	100%
DRI Healthcare LP	February 19, 2021	Delaware, United States	100%
DRI Healthcare Acquisitions LP	February 19, 2021	Delaware, United States	100%
DRI Healthcare Acquisitions LP1 ⁽ⁱⁱ⁾	February 19, 2021	Delaware, United States	100%
DRI Healthcare LP 2	February 22, 2021	Delaware, United States	100%
Drug Royalty LP 1	February 22, 2021	Delaware, United States	100%
Drug Royalty LP 3	February 22, 2021	Cayman Islands	100%
DRC Management III LLC 1	February 19, 2021	Delaware, United States	100%
DRC Management III LLC 2	February 19, 2021	Delaware, United States	100%
DRC Management LLC 2	February 22, 2021	Delaware, United States	100%
DRI Healthcare GP, LLC ⁽ⁱⁱⁱ⁾	February 19, 2021	Delaware, United States	100%
TCD Royalty Sub, LP	September 30, 2021	Delaware, United States	100%

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

(ii) The entity was previously known as Drug Royalty III LP1.

(iii) The entity was previously known as Drug Royalty III GP, LLC.

On February 7, 2022, DRC Springing III LLC, an indirect wholly-owned subsidiary of the Trust, was dissolved. Prior to the dissolution, the entity has no assets or liabilities. On June 22, 2022, ROC Royalties S.à r.l., an indirect wholly-owned subsidiary of the Trust, was dissolved. Prior to the dissolution, the entity held nominal assets as the royalty entitlement it previously held had expired.

(d) Functional and Presentation Currency

The functional and presentation currency of the Trust is the United States dollar (“**U.S. dollar**”). We present our consolidated financial statements in U.S. dollars. All dollar amounts are expressed in U.S. dollars unless otherwise indicated. Accordingly, all references to “**US\$**”, “**\$**” or “**dollars**” are to U.S. dollars, and all references to “**C\$**” are to Canadian dollars. Dollar amounts in the tables and elsewhere in these consolidated financial statements are presented in thousands of U.S. dollars unless otherwise noted.

(e) Comparative Information

Certain comparative figures have been adjusted to conform with the current period’s presentation.

NOTE 2 | SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these consolidated financial statements, the Trust has consistently applied the significant accounting policies, as described in note 2 to the Trust’s 2021 annual consolidated financial statements.

NOTE 3 | USE OF JUDGMENTS AND ESTIMATES

In the preparation of these consolidated financial statements, the Trust has used consistent judgments and estimates, as described in note 3 to the Trust’s 2021 annual consolidated financial statements.

NOTE 4 | ASSET ACQUISITIONS

2022 Asset Acquisitions

(a) Vonjo Transaction

On August 25, 2021, concurrent with the agreement to provide a \$50,000 secured loan to CTI BioPharma Corp. (“**CTI**”), as described in note 6, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the U.S. Food and Drug Administration (“**FDA**”), for \$60,000.

On February 28, 2022, the FDA approved pacritinib under the brand name Vonjo for the treatment of adult myelofibrosis patients with platelets below $50 \times 10^9/L$. Myelofibrosis is a bone marrow cancer that results in the formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the funding of the above noted tiered royalty transaction for \$60,000, which occurred on March 7, 2022. Transaction costs of \$632 were capitalized as part of the Vonjo royalty asset.

In accordance with the terms of the royalty agreement, CTI may be entitled to additional consideration of \$6,500 in the event that Vonjo sales exceed certain thresholds on or before March 31, 2023 (“**Net Sales Threshold I**”) and an additional \$18,500 in the event that Vonjo sales exceed certain thresholds on or before September 30, 2023 (“**Net Sales Threshold II**”). As at September 30, 2022, the Trust has assessed that the sales of Vonjo are expected to exceed Net Sales Threshold I. As such, the Trust has recognized a royalty asset of \$6,500 and recorded a related other current liability of \$6,500 representing the contractual obligation to CTI.

The transaction entitles the Trust to receive royalties equal to 9.60% on the first \$125,000 of annual net sales in the United States, 4.50% on annual net sales in the United States between \$125,000 and \$175,000, 0.50% on annual net sales in the United States between \$175,000 and \$400,000, and will have no entitlement to royalties on annual net sales in the United States exceeding \$400,000. Royalties are collected on a one-quarter lag.

(b) Empaveli Transaction

On July 21, 2022, the Trust completed a transaction for a royalty interest in Empaveli (pegcetacoplan) for a purchase price of \$24,500. The transaction entitles the Trust to a less than one percent royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of \$500,000 in each calendar year, above which the Trust will not be entitled to any royalty. As part of the transaction, the Trust has an option to increase the annual sales cap to \$1.1 billion in return for a one-time payment by the Trust of \$21,000. The Trust is entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan commencing January 1, 2022 and will be paid on a three-quarter lag and will receive its first payment in the fourth quarter of 2022. The Trust’s royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction. The royalty term is expected to expire in the U.S. in the first quarter of 2032 and in the European Union (“**EU**”) in the third quarter of 2032.

The Trust has recognized royalty assets of \$23,646 related to Empaveli and other current assets of \$500 related to the acquired option to increase the annual sales cap at the discretion of the Trust before June 1, 2023. The Trust records amortization related to the option on a straight-line basis over the period from July 21, 2022, the date on which the Trust obtained control over the asset, to June 1, 2023, the date of the option’s expiry. The Trust has recognized acquired royalties receivable of \$354 related to the Trust’s royalty entitlement accrued from January 1, 2022 to July 21, 2022, the date of the royalty transaction. Transaction costs of \$788 were capitalized as part of the royalty asset acquired.

Empaveli is the active molecule in the first targeted C3 therapy for use in adults with paroxysmal nocturnal hemoglobinuria and was approved by the FDA and the European Medicines Agency (“EMA”) in 2021. It is marketed in the U.S. by Apellis Pharmaceuticals Inc. and outside the U.S., including the EU, by Swedish Orphan Biovitrum AB, where it is marketed under the brand name Aspaveli.

(c) *Zejula Transaction*

On September 12, 2022, the Trust completed a transaction for a royalty interest in Zejula for a purchase price of \$35,000. The transaction entitles the Trust to a net 0.5% royalty on worldwide net sales of Zejula by GSK plc. The Trust will be entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2022 and will receive its first payment in the fourth quarter of 2022. Acquired royalties receivable of \$594 are related to the Trust’s royalty entitlement from July 1, 2022 to September 12, 2022, the date of the royalty transaction. Transaction costs of \$463 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, the Trust is committed to making a milestone payment of \$10,000 should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025. Zejula is approved by both the FDA and the EMA as a treatment for both first-line and recurrent ovarian cancer.

(d) *Omidria Transaction*

On September 30, 2022, the Trust completed a transaction for a royalty interest in Omidria for a purchase price of \$125,000. In accordance with the terms of the royalty agreement, the Trust will be entitled to receive royalties subject to annual caps. Royalties are collected on a monthly basis. The details of the annual royalty caps are presented below:

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

The Trust recognized acquired royalties receivable of \$418 related to the Trust’s royalty entitlement accrued from September 1, 2022 to September 30, 2022, the date of the royalty transaction. Transaction costs of \$1,020 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 by Rayner Surgical worldwide.

Summary of 2022 Asset Acquisitions

The following assets were acquired in these royalty transactions for the nine months ended September 30, 2022:

	Vonjo Transaction	Empaveli Transaction	Zejula Transaction	Omidria Transaction	Total for the nine months ended September 30, 2022
Assets					
Royalties receivable	\$ —	\$ 354	\$ 594	\$ 418	\$ 1,366
Other current assets	—	500	—	—	500
Royalty assets	66,500	23,646	34,406	124,582	249,134
Net acquired assets	\$ 66,500	\$ 24,500	\$ 35,000	\$ 125,000	\$ 251,000

2021 Asset Acquisitions

(a) *Closing Transactions*

On February 19, 2021, in connection with the completion of DRI Healthcare Trust’s initial public and private offerings of Units, as described in note 8, the Trust, through its wholly-owned subsidiary DRI Healthcare ICAV, acquired 100% economic interests in DRI Healthcare GP, LLC, DRC Management III LLC 1, DRC Management III LLC 2, DRI Healthcare LP and their wholly-owned subsidiaries, as well as 100% beneficial interests in the royalty assets held by Drug Royalty LP 1. On February 22, 2021, the Trust, through its wholly-owned subsidiary DRI Healthcare ICAV, acquired 100% economic interests in DRC Management LLC 2, DRI Healthcare LP 2 and its wholly-owned subsidiary. Collectively, these transactions are referred to as the “Closing Transactions” in these consolidated financial statements. The Closing Transactions were contemplated in the Trust’s offering document.

The total purchase price paid in the Closing Transactions was \$292,670 and was funded by the issuance of Units of DRI Healthcare Trust, as described in note 8. Management determined that the transaction did not meet the definition of a business combination as substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets.

The acquired cash and cash equivalents include cash royalties received of \$2,269 during the period from January 1, 2021 to the date of the Closing Transactions. The acquired royalties receivable include royalty income of \$13,833 accrued during the period from January 1, 2021 to the date of the Closing Transactions and \$1,079 of adjustments to reflect changes in the balance receivable based on actual royalty receipts.

(b) Oracea Transaction

On September 30, 2021, the Trust acquired royalties on Oracea for \$50,500. As part of the transaction, the Trust acquired interests in two additional royalty assets which are not expected to make a material contribution to the Trust's royalty income. Management determined that this transaction did not meet the definition of a business combination as substantially all of the fair value of the gross assets acquired is concentrated in the royalty assets acquired, primarily Oracea.

Oracea (doxycycline) is a prescription therapy indicated for the treatment of inflammatory lesions (papules and pustules) of rosacea in adult patients. Marketed by Galderma Laboratories, Inc., a subsidiary of Galderma S.A., sales of Oracea commenced in 2006 upon its approval by the FDA. The royalty entitlement associated with Oracea is on the worldwide sales of Oracea and is expected to expire in the first quarter of 2028. Royalties related to Oracea are collected on a one-quarter lag.

In accordance with the terms of the transaction, the Trust was entitled to the royalties from April 1, 2021 and beyond. The cash royalty receipts generated from April 1, 2021 to June 30, 2021 totalled \$4,136 and were applied as a reduction in the total cash consideration transferred in the transaction. Transaction costs of \$599 were capitalized as part of the royalty assets acquired.

Summary of 2021 Asset Acquisitions

The following assets and liabilities were acquired in these royalty transactions for the year ended December 31, 2021:

	Closing Transactions	Oracea Transaction	Total for the year ended December 31, 2021
Assets			
Cash and cash equivalents	\$ 14,707	\$ 4,136	\$ 18,843
Royalties receivable	55,190	2,930	58,120
Funds held in trust ⁽ⁱ⁾	128	—	128
Derivative assets ⁽ⁱ⁾	219	—	219
Other current assets	196	—	196
Royalty assets	291,462	43,434	334,896
Restricted cash ⁽ⁱ⁾	1,435	—	1,435
	\$ 363,337	\$ 50,500	\$ 413,837
Liabilities			
Accounts payable and accrued liabilities	(743)	—	(743)
Secured notes payable ⁽ⁱ⁾	(69,924)	—	(69,924)
	(70,667)	—	(70,667)
Net acquired assets	\$ 292,670	\$ 50,500	\$ 343,170

(i) During 2021, the Trust fully repaid the secured notes, as described in note 7. In connection with its secured notes, the Trust was required to maintain funds held in trust and restricted cash as well as interest rate and foreign exchange derivative contracts, which were released and settled subsequent to the repayment of the secured notes.

NOTE 5 | ROYALTY ASSETS

The following table presents a roll of the royalty assets held by the Trust. Royalty assets were acquired by the Trust in the asset acquisition transactions, as described in note 4.

	Cost	Accumulated Amortization	Net Book Value
As at January 1, 2021	\$ —	\$ —	\$ —
Additions	335,495	—	335,495
Amortization	—	28,923	(28,923)
As at September 30, 2021	335,495	28,923	306,572
Additions ⁽ⁱ⁾	—	—	—
Amortization	—	12,914	(12,914)
As at December 31, 2021	335,495	41,837	293,658
Additions ⁽ⁱⁱ⁾	252,037	—	252,037
Amortization	—	40,188	(40,188)
Dispositions ⁽ⁱⁱⁱ⁾	(1,956)	(1,956)	—
As at September 30, 2022	\$ 585,576	\$ 80,069	\$ 505,507

(i) Includes capitalized transaction costs of \$599 related to the Oracea Transaction, as described in note 4.

(ii) Includes capitalized transaction costs of \$632 related to the Vonjo Transaction, \$788 related to the Empaveli Transaction, \$463 related to the Zejula Transaction and \$1,020 related to the Omidria Transaction, as described in note 4.

(iii) The Trust wrote off the royalty assets and related accumulated amortization held by ROC Royalties S.à.r.l. as part of the entity's dissolution, as described in note 1. The net book value of the royalty assets was nil at the time of the dissolution.

As at September 30, 2022, the net book value of our royalty assets was \$505,507 (December 31, 2021 – \$293,658), net of accumulated amortization of \$80,069 (December 31, 2021 – \$41,837). During the nine months ended September 30, 2022, the Trust recorded additions to the cost of its royalty assets totalling \$252,037 (December 31, 2021 – \$335,495) related to the Vonjo royalty transaction, Empaveli royalty transaction, Zejula royalty transaction and Omidria royalty transaction, as described in note 4. In addition, the Trust wrote off the cost of royalty assets and related accumulated amortization of \$1,956 and \$1,956, respectively, related to fully amortized royalty assets as part of the dissolution of ROC Royalties S.à r.l., as described in note 1. There was no change to the net book value of the royalty assets as a result of the write off.

The Trust groups its portfolio of royalty assets based on the expected expiry of the royalty rights in the underlying product's primary royalty-bearing geography. The royalty assets include Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2022; Mature Products, for which royalty entitlements in primary geographies are expected to expire before December 31, 2022; and Other Products, for which royalty entitlements have substantially expired in accordance with their terms or are not individually material.

The following table presents details about the products underlying the Trust's royalty assets as at September 30, 2022:

Royalty Asset	Therapeutic Area	Primary Marketer(s)	Acquisition Quarter	Expected Royalty Expiry ⁽ⁱ⁾
Core Products				
Empaveli	Hematology	Apellis, Swedish Orphan Biovitrum	Q3 2022	Q1 2034
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
FluMist	Influenza	AstraZeneca	Q1 2021	Q4 2023
Natpara	Endocrinology	Takeda	Q1 2021	Q1 2026
Omidria	Ophthalmology	Rayner Surgical	Q3 2022	Q4 2030
Oracea	Dermatology	Galderma	Q3 2021	Q1 2028
Rydapt	Oncology	Novartis	Q1 2021	Q1 2025
Spinraza	Spinal Muscular Atrophy	Biogen	Q1 2021	Q3 2031
Vonjo	Oncology	CTI Biopharma	Q1 2022	Q2 2034
Xolair	Respiratory	Roche, Novartis	Q1 2021	Q2 2032
Zejula	Oncology	GSK	Q3 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	Q1 2021	Q2 2028
Mature Products				
Autoimmune Portfolio ⁽ⁱⁱ⁾	Autoimmune Diseases	Various	Q1 2021	Q1 2025
Other Products⁽ⁱⁱⁱ⁾				
	Various	Various	Various	n/a

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

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

(iii) Other Products includes royalty assets which are not individually material, as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

The following table presents the Trust's royalty income and net book value by royalty assets:

Royalty Asset	Royalty Income				Net Book Value	
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021	As at September 30, 2022	As at December 31, 2021
Core Products						
Empaveli ⁽ⁱ⁾	\$ 125	\$ —	\$ 125	\$ —	\$ 24,036	\$ —
Eylea I ⁽ⁱⁱ⁾	1,302	3,256	4,251	7,462	16,119	18,953
Eylea II ⁽ⁱⁱ⁾	1,427	1,447	4,661	3,316	8,373	9,845
FluMist ⁽ⁱⁱ⁾	2,487	1,863	2,592	1,887	2,803	4,899
Natpara ⁽ⁱⁱ⁾	688	538	2,002	1,329	21,240	27,127
Omidria ⁽ⁱ⁾	—	—	—	—	125,603	—
Oracea ⁽ⁱⁱⁱ⁾	2,087	—	6,271	—	33,763	38,569
Rydapt ⁽ⁱⁱ⁾	2,531	2,299	8,207	7,064	9,775	13,017
Spinraza ⁽ⁱⁱ⁾	3,655	4,708	11,495	12,021	89,154	96,772
Vonjo ⁽ⁱ⁾	2,443	—	3,230	—	64,284	—
Xolair ⁽ⁱⁱ⁾	2,139	2,129	7,757	6,013	48,715	52,651
Zejula ⁽ⁱ⁾	145	—	145	—	34,759	—
Zytiga ⁽ⁱⁱ⁾	4,828	4,452	11,152	10,403	19,444	22,351
Total Core Products	23,857	20,692	61,888	49,495	498,068	284,184
Mature Products						
Autoimmune Portfolio ^{(iv),(v)}	\$ 765	\$ 1,905	\$ 2,633	\$ 6,160	\$ 4,363	\$ 5,823
Rilpivirine Portfolio ^(vi)	—	—	—	2,899	—	—
Total Mature Products	765	1,905	2,633	9,059	4,363	5,823
Other Products^{(vii),(viii)}	415	264	1,769	446	3,076	3,651
Total	\$ 25,037	\$ 22,861	\$ 66,290	\$ 59,000	\$ 505,507	\$ 293,658

- (i) The Trust recorded no royalty income related to Empaveli, Omidria, Vonjo and Zejula prior to September 30, 2021 as the Trust obtained control over the royalty assets in later periods, as described in note 4.
- (ii) The Trust recorded royalty income related to the assets acquired in connection with the Closing Transactions, as described in note 4, from February 19, 2021, the date on which the Trust obtained control over those assets.
- (iii) The Trust recorded royalty income related to Oracea from September 30, 2021, the date on which the Trust obtained control over the asset, as described in note 4.
- (iv) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
- (v) 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 the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of \$334 were used to reduce the obligation during the nine months ended September 30, 2022. Royalties receivable of \$384 were used to reduce the obligation during 2021. There is no remaining obligation as at September 30, 2022 (December 31, 2021 – \$334) related to the past overpayments.
- (vi) The Rilpivirine Portfolio consisted of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. In accordance with the terms of the royalty agreement, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.
- (vii) 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.
- (viii) For the three and nine months ended September 30, 2022, Other Products also includes royalty income of nil and \$750, respectively, related to the settlement of litigation on a royalty asset which predated the Trust's acquisition of royalty assets as part of the Closing Transactions. The entitlement to royalties on the royalty asset expired in the fourth quarter of 2018, and due to the uncertainty of the outcome of the litigation, no value was attributed to the asset as part of the Closing Transactions.

Royalty Income

Royalty income for the three and nine months ended September 30, 2022 was \$25,037 and \$66,290, respectively (2021 – \$22,861 and \$59,000, respectively). The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets. For the three and nine months ended September 30, 2022, the Trust recorded royalty income earned related to Empaveli, Omidria, Vonjo and Zejula, which were added to the portfolio subsequent to September 30, 2021. For the assets which were acquired in the Closing Transactions, as described in note 4, the Trust recorded royalty income from February 19, 2021. Royalty entitlement rights related to the Autoimmune Portfolio continued to expire in major geographic areas throughout 2022 in accordance with the terms of the royalty agreements. Royalty entitlement rights related to the Rilpivirine Portfolio expired in the second quarter of 2021 in accordance with the terms of the royalty agreement.

Net Book Value

During the three and nine months ended September 30, 2022, the Trust recorded additions to the cost of its royalty assets totalling \$191,675 and \$252,037, respectively (December 31, 2021 – \$335,495), related to the royalty transactions, as described in note 4. During the three and nine months ended September 30, 2022, the Trust recorded amortization expense of \$13,992 and \$40,188, respectively (2021 – \$11,125 and \$28,923, respectively). The Trust records amortization related to royalty assets from the date on which the Trust obtains control of those assets. During the three and nine months ended September 30, 2022, the Trust recorded amortization related to Empaveli, Vonjo and Zejula, which were added to the portfolio subsequent to September 30, 2021. Amortization expense related to the royalty assets acquired in the Closing Transactions reflects amortization from February 19, 2021, the date on which the Trust obtained control over those assets.

NOTE 6 | LOAN RECEIVABLE

On August 25, 2021, concurrent with the agreement regarding the tiered royalty on Vonjo, as described in note 4, the Trust entered into an agreement with CTI to provide \$50,000 in secured debt, the proceeds of which were used by CTI to partially fund the commercialization of Vonjo.

The loan receivable bears interest at the London Interbank Offered Rate (“LIBOR”) plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. Interest payments are due quarterly and the principal amount of the loan is due on maturity. The Trust is entitled to receive an exit fee of 2.00% on the principal balance repaid. A commitment fee of \$500 was received by the Trust and was recorded as a reduction in the gross principal amount receivable.

The carrying amount of the Trust’s loan receivable and the related interest income are presented below:

	As at September 30, 2022		As at December 31, 2021	
Principal loan receivable	\$	50,000	\$	50,000
Unamortized commitment fee		(393)		(465)
Exit fee receivable		214		71
Loan receivable	\$	49,821	\$	49,606

	Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021	
Interest on principal loan receivable	\$	1,340	\$	514	\$	3,854	\$	514
Amortization of commitment fee		22		10		72		10
Accretion of exit fee receivable		44		20		143		20
Interest income on loan receivable	\$	1,406	\$	544	\$	4,069	\$	544

NOTE 7 | LONG-TERM DEBT

Secured Notes

In February 2021, in connection with the Closing Transactions described in note 4, the Trust assumed gross secured notes payable of \$69,924, and was required to hold certain royalty cash receipts in trust and maintain restricted cash accounts as security for the secured notes. The Trust fully repaid the secured notes on October 22, 2021 as described below. Accordingly, the Trust is no longer required to hold royalty cash receipts in trust or maintain restricted cash accounts. For the three and nine months ended September 30, 2021, the Trust recorded interest expense of \$383 and \$1,111, respectively, related to the secured notes.

Credit Facility

On October 22, 2021, the Trust entered into a credit facility agreement 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 existing 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.

On April 20, 2022, the Trust entered into an amended and restated credit agreement that added a new tranche to the credit facility consisting of a \$150,000 delayed draw term loan (“**term credit facility**”, together with the original credit facility, the “**amended and restated credit facility**”) which can be drawn against to fund future transactions. The interest rate on the amended and restated credit facility was also revised from LIBOR to Secured Overnight Financing Rate (“**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.

The unused portion of the amended and restated credit facility is subject to standby fees of 0.40% to 0.50% based on the Trust’s leverage ratio. Interest payments are due on a quarterly basis, and the borrowings mature on October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders.

Principal repayments totalling 3.75% of the aggregate amount of borrowings made under the acquisition credit facility and term credit facility are due on a quarterly basis. 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.

On March 7, 2022, the Trust drew \$60,000 from the acquisition credit facility to fund the royalty transaction on Vonjo, as described in note 4. On September 9, 2022, the Trust drew \$35,000 from the term credit facility to fund the royalty transaction on Zejula, as described in note 4. On September 28, 2022, the Trust drew \$115,000 from the term credit facility and \$10,000 from the acquisition credit facility to fund the royalty transaction on Omidria, as described in note 4. As principal repayments result in a corresponding cancellation in the borrowing capacity under the term credit facility, the remaining available credit under the term credit facility is nil as at September 30, 2022.

During the three and nine months ended September 30, 2022, the Trust made regular principal repayments related to the credit facility of \$10,024 and \$18,072, respectively. During the nine months ended September 30, 2022, the Trust made total credit facility repayments of \$48,598, including a voluntary principal repayment of \$30,526.

The carrying amount of the Trust's long-term debt and the related interest expense are presented below:

	As at September 30, 2022			As at December 31, 2021	
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding	Balance Outstanding
Acquisition credit facility	\$ 175,000	\$ 102,446	\$ 72,554	\$	45,526
Working capital credit facility	25,000	25,000	—		—
Term credit facility	150,000	—	144,375		—
Deferred transaction costs, net of amortization	n/a	n/a	(2,159)		(1,605)
Total long-term debt	\$ 350,000	\$ 127,446	\$ 214,770	\$	43,921
Current portion of credit facility			\$ 30,071	\$	5,321
Long-term portion of credit facility			184,699		38,600
Total long-term debt			\$ 214,770	\$	43,921

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest on credit facility net borrowings	\$ 1,009	\$ —	\$ 1,776	\$ —
Interest on secured notes	—	383	—	1,111
Standby fees	273	—	677	—
Amortization of deferred transaction costs	69	—	164	—
Total interest expense	\$ 1,351	\$ 383	\$ 2,617	\$ 1,111

The following table presents expected principal repayments to be made until the maturity of the amended and restated credit facility:

	Total
Remainder of: 2022	\$ —
Full year: 2023	40,095
Full year: 2024	176,834
	\$ 216,929

The Trust is subject to certain financial as well as customary non-financial covenants under the amended and restated credit facility. Substantially all of the assets of the Trust are pledged as collateral under the amended and restated credit facility. As at September 30, 2022, the Trust was in compliance with all covenant requirements under the amended and restated credit facility.

NOTE 8 | EQUITY

Authorized Equity

The authorized equity capital consists of (i) an unlimited number of Units; and (ii) an unlimited number of Preferred Units, issuable in series.

(i) Units

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

The following table outlines the changes in the number of Units outstanding from December 31, 2020 to September 30, 2022:

	Units	Weighted Average Cost per Unit	Total Cost
Balance – December 31, 2020	1	n/a	\$ —
Issuance of Units:			
Initial private offering	3,580,407	\$ 9.70	34,730
Initial public offering	36,527,000	\$ 10.00	365,270
Unit issuance costs	n/a	n/a	(21,997)
Repurchase and cancellation of Units	(1)	\$ 10.00	—
Balance – September 30, 2021	40,107,407	n/a	378,003
Issuance of Units:			
Vesting of Restricted Units	15,343	\$ 6.70	103
Repurchase and cancellation of Units – NCIB	(1,043,070)	\$ 5.25	(5,478)
Unit distributions to Unitholders	271,515	\$ 5.18	1,406
Consolidation of Units	(271,515)	n/a	n/a
Balance – December 31, 2021	39,079,680	n/a	374,034
Issuance of Units:			
Units issued on the vesting of Restricted Units	64,070	\$ 5.45	349
Repurchase and cancellation of Units – NCIB	(477,980)	\$ 5.25	(2,510)
Balance – September 30, 2022	38,665,770	n/a	\$ 371,873

Initial public and private offerings

On February 19, 2021, DRI Healthcare Trust completed initial public and private offerings of its Units, for combined gross proceeds of \$400,000. In connection with its public offering, the Trust issued 36,527,000 Units at \$10.00 per Unit, for gross proceeds of \$365,270. Concurrent with the completion of the initial public offering, certain related parties and other investors purchased an aggregate of 3,580,407 Units at \$9.70 per Unit, for gross proceeds of \$34,730. Transaction costs associated with the offerings totalled \$21,997 and were recorded as a reduction in Unitholders' equity.

Vesting of Restricted Units

During the nine months ended September 30, 2022, the Trust issued 64,070 Units on the vesting of Restricted Units, 11,019 of which were granted on September 10, 2021 and 53,051 of which were granted on October 8, 2021, as described in note 10.

During 2021, the Trust issued 15,343 Units on the vesting of Restricted Units which were granted on October 1, 2021, as described in note 10.

Normal course issuer bid ("NCIB")

On September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 1,500,000 Units of the Trust for cancellation between October 5, 2021 and October 4, 2022 ("**September 2021 NCIB**"). In connection with the September 2021 NCIB, the Trust established an automated unit repurchase plan ("**AUPP**"), whereby Units of the Trust may be repurchased at the discretion of a broker party 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 Toronto Stock Exchange 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 September 30, 2021, the Trust recorded an other current liability of \$981, representing the maximum amount that would be required to settle the AUPP in effect with a corresponding decrease in other equity. Subsequent share repurchases settled the AUPP liability in its entirety with a corresponding increase in other equity. During the nine months ended September 30, 2022, the Trust acquired and cancelled 477,980 Units at an average price of \$5.25, totalling \$2,510. As at September 30, 2022, in aggregate, the Trust had acquired and cancelled 1,521,050 Units at an average unit price of \$5.25, totalling \$7,988 under the NCIB plan. The Trust had no remaining obligation in connection with the AUPP as at September 30, 2022 (December 31, 2021 – nil).

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

(ii) Preferred Units

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

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

As at September 30, 2022, no Preferred Units had been issued or were outstanding (December 31, 2021 – nil).

Distribution Policy

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

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

The following table presents cash and Unit distributions made by the Trust:

	Record Date	Payment Date	Distribution per Unit	Total Distribution
2021				
Q1 2021 – Quarterly cash distribution	March 31, 2021	April 20, 2021	\$ 0.0167	\$ 670
Q2 2021 – Quarterly cash distribution	June 30, 2021	July 20, 2021	\$ 0.0375	1,504
Q3 2021 – Quarterly cash distribution	September 30, 2021	October 20, 2021	\$ 0.0375	1,504
Q4 2021 – Quarterly cash distribution	December 31, 2021	January 20, 2022	\$ 0.0750	2,931
Q4 2021 – Special cash distribution	December 31, 2021	January 20, 2022	\$ 0.2200	8,597
Q4 2021 – Unit distribution ⁽ⁱ⁾	December 31, 2021	n/a	\$ 0.0360	1,406
			\$ 0.4227	16,612
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
			\$ 0.2250	8,697
Total			\$ 0.6477	\$ 25,309

(i) In December 2021, the Trust declared a special Unit distribution of \$0.035979841 per Unit, totalling \$1,406 to Unitholders of record as at December 31, 2021, which was issued on December 31, 2021. Immediately following the special Unit distribution, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.

During the three and nine months ended September 30, 2022, the Trust declared cash distributions totalling \$2,900 and \$8,697, respectively. During 2021, the Trust declared distributions totalling \$16,612, comprised of cash distributions of \$15,206 and a Unit distribution of \$1,406.

On November 7, 2022, the board of trustees declared a quarterly cash distribution of \$0.0750 per Unit to Unitholders of record as at December 31, 2022 and payable on January 20, 2023.

NOTE 9 | NET EARNINGS PER UNIT

The weighted average number of Units outstanding for the purpose of calculating earnings per Unit were as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Basic	38,657,266 Units	40,107,407 Units	38,684,889 Units	32,908,642 Units
Diluted	38,694,492 Units	40,107,407 Units	38,710,064 Units	32,908,642 Units

NOTE 10 | UNIT-BASED COMPENSATION

The Trust provides unit-based compensation under its Incentive Plan, as described in note 2(o) to the Trust's 2021 annual consolidated financial statements. The total number of Units authorized to be issued under the Incentive Plan is the lower of (i) 4,101,741; and (ii) 10% of the total outstanding Units of the Trust.

For the three and nine months ended September 30, 2022, the unit-based compensation expense was \$298 and \$849, respectively (2021 – \$25 and \$25, respectively) and was comprised of Restricted Unit (“RU”) grants.

The following table provides the details of RU grants up to September 30, 2022:

	Restricted Units
Balance – January 1, 2021	—
Restricted Units granted:	
Granted on September 10, 2021 ⁽ⁱ⁾	117,500 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	698 Units
Balance – September 30, 2021	118,198 Units
Restricted Units granted:	
Granted on October 1, 2021 ⁽ⁱⁱⁱ⁾	15,343 Units
Granted on October 8, 2021 ^(iv)	50,000 Units
Granted on October 8, 2021 ^(v)	100,000 Units
Granted on November 30, 2021 ⁽ⁱ⁾	150,000 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	23,571 Units
Vesting of Restricted Units	(15,343) Units
Balance – December 31, 2021	441,769 Units
Restricted Units granted:	
Granted on June 10, 2022 ⁽ⁱ⁾	41,028 Units
Granted on September 10, 2022 ⁽ⁱ⁾	60,000 Units
Distribution equivalent Units granted ⁽ⁱⁱ⁾	13,645 Units
Vesting of Restricted Units	(83,021) Units
Forfeiture of Restricted Units	(112,392) Units
Balance – September 30, 2022	361,029 Units

Restricted Units vested and exercisable as at September 30, 2022

- (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) Vested immediately.
(iv) Vesting equally on April 1, 2022, April 1, 2023 and April 1, 2024.
(v) Vesting equally on February 19, 2022, February 19, 2023 and February 19, 2024.

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

		As at September 30, 2022		As at December 31, 2021
Current portion of unit-based compensation liability	\$	467	\$	233
Long-term portion of unit-based compensation liability		287		137
Total unit-based compensation liability	\$	754	\$	370

No Options or Preferred Units (“PU”) were granted as at September 30, 2022. Certain members of the board of trustees elected to be compensated fully or partially in Deferred Units (“DU”), as described in note 12.

NOTE 11 | DEAL INVESTIGATION AND RESEARCH EXPENSES

Deal investigation and research expenses include the ongoing costs associated with the Trust's research and due diligence activities and other expenses necessary for the assessment of potential asset acquisition opportunities, including professional fees, research data and data subscription expenses.

The Trust recorded deal investigation and research expenses of \$715 and \$2,365, respectively, for the three and nine months ended September 30, 2022 (2021 – \$602 and \$1,531, respectively).

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

NOTE 12 | OTHER OPERATING EXPENSES

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Board of trustees fees	\$ 117	\$ 115	\$ 344	\$ 350
Professional fees	616	1,027	2,113	2,605
Amortization of other current assets	114	—	114	—
Other expenses	332	321	920	1,081
Total other operating expenses	\$ 1,179	\$ 1,463	\$ 3,491	\$ 4,036

Board of trustees fees

During 2022, certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's 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 to the Trust's 2021 annual consolidated financial statements.

During the three and nine months ended September 30, 2022, the Trust granted 12,277 and 35,643 DUs, respectively, in lieu of cash compensation to trustees, and 451 and 898 distribution equivalent Units, respectively, in relation to the quarterly distributions. Board compensation expense for the three and nine months ended September 30, 2022 included \$72 and \$205, respectively, related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was \$205, and was included in other non-current liabilities. The Trust did not grant any DUs during the three and nine months ended September 30, 2021.

Amortization of other current assets

On July 21, 2022, in connection with the Empaveli Transaction, as described in note 4, the Trust acquired an exclusive option to increase the annual net sales cap for Empaveli on which the Trust will be entitled to royalty payments from \$500,000 to \$1.1 billion, for \$500. The option is exercisable at the discretion of the Trust before June 1, 2023. The Trust recorded the option as an other current asset initially at cost and it is being amortized on a straight-line basis over the period from July 21, 2022, the date on which the Trust obtained control over the asset, to June 1, 2023, the date of the option's expiry. The Trust also assesses, at the end of each reporting period, whether there are indications that the option may be impaired. If any such indications exist, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

For the three and nine months ended September 30, 2022, the Trust recorded amortization related to the option of \$114 and \$114, respectively. The Trust did not record amortization related to the option in 2021.

NOTE 13 | FINANCIAL INSTRUMENTS

The financial assets and liabilities held by the Trust, as at September 30, 2022, were as follows:

	FVTPL – Recognized	Amortized Cost	Total
Financial Assets			
Cash and cash equivalents	\$ 20,467	—	\$ 20,467
Royalties receivable	—	36,386	36,386
Other current assets	—	2	2
Loan receivable	—	49,821	49,821
	\$ 20,467	\$ 86,209	\$ 106,676
Financial Liabilities			
Accounts payable and accrued liabilities	\$ —	\$ 4,237	\$ 4,237
Distributions payable to Unitholders	—	2,900	2,900
Current portion of long-term debt	—	30,071	30,071
Other current liabilities	—	6,644	6,644
Long-term debt	—	186,858	186,858
	\$ —	\$ 230,710	\$ 230,710

The financial assets and liabilities held by the Trust, as at December 31, 2021, were as follows:

	FVTPL – Recognized	Amortized Cost	Total
Financial Assets			
Cash and cash equivalents	\$ 61,712	\$ —	\$ 61,712
Royalties receivable	—	30,148	30,148
Other current assets	—	227	227
Loan receivable	—	49,606	49,606
	\$ 61,712	\$ 79,981	\$ 141,693
Financial Liabilities			
Accounts payable and accrued liabilities	\$ —	\$ 1,557	\$ 1,557
Distributions payable to Unitholders	—	11,528	11,528
Current portion of long-term debt	—	5,321	5,321
Other current liabilities	—	334	334
Long-term debt	—	40,205	40,205
	\$ —	\$ 58,945	\$ 58,945

NOTE 14 | FAIR VALUE MEASUREMENTS

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

There were no transfers among the three levels of the fair value hierarchy during the nine months ended September 30, 2022 (December 31, 2021 – nil).

As at September 30, 2022 and December 31, 2021, the Trust only had cash and cash equivalents measured at fair value, which were classified as Level 1 financial instruments.

The carrying values of financial assets and liabilities held at amortized cost approximate their fair values.

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

NOTE 15 | CAPITAL MANAGEMENT

As at September 30, 2022, the Trust's capital was \$588,802 (December 31, 2021 – \$419,560), and consisted of its Unitholders' capital and long-term debt.

The Trust's objectives in managing capital are to:

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

As discussed in note 7, the Trust entered into an amended and restated credit agreement on April 20, 2022. Other than this change, there have been no other changes in the composition of the Trust's capital or its capital management policies in the nine months ended September 30, 2022 compared to prior periods.

As at September 30, 2022 and December 31, 2021, the Trust was in compliance with all externally imposed capital requirements.

NOTE 16 | COMMITMENTS

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of Vonjo, as described in note 4. In accordance with the terms of the royalty agreement, CTI may be entitled to additional consideration of \$6,500 in the event that Vonjo sales exceed Net Sales Threshold I and an additional \$18,500 in the event that Vonjo sales exceed Net Sales Threshold II, as described in note 4.

As at September 30, 2022, the Trust has assessed that the sales of Vonjo are expected to exceed Net Sales Threshold I. As such, the Trust has recognized a royalty asset of \$6,500 and recorded a related other current liability of \$6,500 representing the contractual obligation to CTI, as described in note 4.

On September 21, 2022, the Trust entered into the Zejula Transaction, as described in note 4. In accordance with the terms of the royalty agreement, the Trust is committed to making a milestone payment of \$10,000 should Zejula be approved by the FDA for the treatment of endometrial cancer on or before December 31, 2025.

NOTE 17 | RELATED-PARTY TRANSACTIONS

Transactions with our manager

DRI Capital is under common control with the Trust.

DRI Capital serves as manager of the Trust. Management fees and performance fees are payable by the Trust pursuant to the investment management agreement. During 2021, the manager also provided administrative services to the Trust for servicing the secured notes, pursuant to a debt servicing agreement. The secured notes were fully repaid during 2021 and the debt servicing agreement was terminated.

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

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Management fee expense	\$ 1,322	\$ 1,113	\$ 4,477	\$ 4,163
Servicer fees	\$ —	\$ 400	\$ —	\$ 978
			As at September 30, 2022	As at December 31, 2021
Accounts payable and accrued liabilities			\$ 6	\$ 2

The Trust did not incur any performance fees for the three and nine months ended September 30, 2022 (2021 – nil).

Key management compensation

During the three and nine months ended September 30, 2022 and 2021, the Trust issued compensation to members of the board of trustees, as described in note 12.

During 2021, the Trust issued compensation to certain officers of the Trust in the form of 20,000 RUs which vest equally over three years and 2,584 Units which were issued on the vesting of RUs during the year. During the three and nine months ended September 30, 2022, the Trust issued an additional 3,376 Units on the vesting of the RUs granted in 2021. During the three and nine months ended September 30, 2022, the Trust recorded unit-based compensation expense of \$21 and \$60, respectively, related to the RU issuance and the accretion of the related distribution equivalent Units (2021 – \$4 and \$4, respectively).

NOTE 18 | SUBSEQUENT EVENTS

2022 fourth quarter distribution declared

On November 7, 2022, the board of trustees declared a quarterly distribution of \$0.0750 per Unit to Unitholders of record as at December 31, 2022 and payable on January 20, 2023.

Normal course issuer bid

On November 7, 2022, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 2,493,280 Units of the Trust for cancellation 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 broker party to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

INVESTOR INFORMATION

Traded Units

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

Trading Symbols

U.S. dollars: DHT.U

Canadian dollars: DHT.UN

Registrar and Transfer Agent

Computershare

100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

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

Investor Relations

DRI Healthcare Trust

100 King Street West, Suite 7250

Toronto, Ontario M5X 1B1

ir@drihealthcare.com

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

Website

www.drihealthcaretrust.com

Auditor

Deloitte LLP, Chartered Professional Accountants

Licensed Public Accountants

8 Adelaide Street West, Suite 200

Toronto, Ontario M5H 0A9