DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

BASIS OF PRESENTATION

The following interim Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (together with its consolidated subsidiaries, the "**Trust**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited interim condensed consolidated financial statements of the Trust for the three and nine months ended September 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 of DRI Healthcare Trust has approved this disclosure.

This MD&A is dated as of November 13, 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 SEDAR+ at www.sedarplus.ca. Solely for convenience, the products underlying our royalty assets may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the owners of such trademarks will not assert their rights to such trademarks.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results, and may include information regarding our financial position, business operations, business strategy, growth strategies, budgets, operations, financial results, taxes, distribution policy, plans and objectives.

In certain cases, forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "close to", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, although not all forward-looking information contains these terms and phrases. Any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. 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.sedarplus.ca. 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**" and "**our**" are to DRI Healthcare Trust, together with its consolidated subsidiaries.

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

USE OF NON-GAAP MEASURES

This MD&A contains a number of financial performance measures 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 17 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 ("**Adjusted EBITDA**");
- Adjusted EBITDA Margin; and
- Adjusted Cash Earnings per Unit.

OVERVIEW OF THE TRUST

DRI Healthcare Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust on October 21, 2020, as amended and restated on February 19, 2021. DRI Healthcare Trust is a "mutual fund trust" as defined in the Income Tax Act (Canada), but not a "mutual fund" within the meaning of applicable Canadian securities legislation. DRI Healthcare Trust's head and registered office is located at First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

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

DRI Healthcare Trust's Units 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 sales of leading therapeutics. We do this by leveraging our manager's 30-year track record of disciplined capital deployment, the skills and competencies of our highly skilled team, and our proprietary sourcing and diligence systems. We accelerate therapeutic innovation by providing capital to leading inventors working at top universities and research institutions, academic institutions, biotechnology companies and large pharmaceutical companies. We provide our Unitholders with exposure to a broadly diversified portfolio of therapeutics that we expect will grow significantly in the medium and long term. We target royalties on products with the following characteristics:

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

Our manager, DRI Healthcare, has been at the forefront of our business since 1989. Over the past 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 September 30, 2023, our portfolio consisted of 26 royalty streams on 20 products that treat conditions in a number of therapeutic areas, including oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, as well as lysosomal storage disorders ("**LSD**"), immunology and influenza. Many of the royalty streams in our portfolio provide us with entitlements on products that we believe represent focus areas and important revenue sources for their respective marketers. The products underlying our royalty entitlements are marketed by leading global pharmaceutical and biotechnology companies, including Apellis Pharmaceuticals Inc. ("**Apellis**"), AstraZeneca PLC ("**AstraZeneca**"), Biogen Inc. ("**Biogen**"), GSK plc ("**GSK**"), Galderma S.A. ("**Galderma**"), Johnson & Johnson Services, Inc ("**Johnson and Johnson**"), Menarini Group ("**Menarini**"), Novartis AG ("**Novartis**"), Rayner Surgical Inc. ("**Rayner Surgical**"), Regeneron Pharmaceuticals Inc. ("**Regeneron**"), Hoffman-La Roche AG ("**Roche**"), Sanofi S.A. ("**Sanofi**") and Swedish Orphan Biovitrum AB ("**Sobi**"). In addition to our royalty transactions, as part of the Vonjo I royalty transaction, as described on page 7 of this MD&A, a subsidiary of DRI Healthcare Trust provided a secured loan (the "**loan receivable**") to CTI BioPharma Corp ("**CTI**"), which was fully repaid on June 26, 2023.

Unique Growth Strategy

We are focused on providing our Unitholders with top-line exposure to a portfolio of attractive therapeutics by purchasing royalties on growing products that meet our investment criteria. We target an underserved niche that leverages the competitive advantages that DRI Healthcare has developed over the last 34 years. These include the specialized expertise of its team members, its 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 our manager has developed a number of advantages that are hard to replicate. One of these advantages is our manager's one-of-a-kind database that is used to source transactions. This database now tracks over 7,500 royalties on over 2,500 drugs worldwide. Another advantage is the deep relationships our manager has developed in our industry.

Our target is to complete between $850 million and $900 million in transactions from the time of our initial public offering in February 2021 to the end of 2025. We expect to fund our royalty transactions using our cash on-hand and through the prudent use of leverage. Since our initial public offering through September 30, 2023, we have deployed $766 million in 11 royalty transactions relating to 11 products and entered into the loan receivable. In connection with these transactions, there is potential further deployment of up to $51 million in milestone obligations.

Our Assets

The Trust's assets currently comprise royalties on products that address a variety of therapeutic areas, such as oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, LSD, immunology 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, a subsidiary of DRI Healthcare Trust entered into the loan receivable as part of the royalty transaction relating to Vonjo I. The loan receivable was fully repaid on June 26, 2023.

We receive royalty payments based on the sales of pharmaceutical products in particular geographies. In general, when sales of these products increase, the payments we receive through our royalties also increase. The sales of products in turn can be affected by a number of factors, including regulatory approvals in new markets, the competitive landscape for the product and the approval of a product for new uses.

The table below provides an overview of our royalty assets as at September 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. See "Risk Factors" in our most recent Annual Information Form.

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

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry[(i)]
Empaveli/Syfovre[(ii),(iii)]	Hematology/Ophthalmology	Apellis, Sobi	May 2021	Q4 2033
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
FluMist	Influenza	AstraZeneca	June 2003	Q4 2023
Ilaris[(iv)]	Immunology	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 I	Oncology	Menarini	January 2023	Q1 2035
Orserdu II	Oncology	Menarini	January 2023	Q1 2035
Rydapt	Oncology	Novartis	April 2017	Q1 2028
Simponi[(iv)]	Immunology	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Spinraza	Neurology	Biogen	December 2016	Q3 2031
Stelara[(iv)]	Immunology	Johnson & Johnson, Mitsubishi Tanabe	September 2009	Q2 2024
Vonjo I	Hematology	Sobi	February 2022	Q2 2034
Vonjo II	Hematology	Sobi	February 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	August 2022	Q4 2036
Xolair	Immunology	Roche, Novartis	June 2003	Q2 2032
Zejula	Oncology	GSK	April 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	September 2011[(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 8 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 the review performed to date, we have not recognized an impairment in the net book value of Natpara as at September 30, 2023. Given the ongoing review it is reasonably possible, on the basis of existing knowledge, that outcomes in upcoming quarters will be different from the assumptions used as at September 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 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 European Medicines Agency ("**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 8 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 hematology 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 23 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 a subsidiary of DRI Healthcare Trust and CTI was terminated. We maintain our royalty investment in Vonjo I pursuant to the purchase and sale agreement that was also announced on August 25, 2021.

Orserdu

On September 20, 2023, Orserdu was approved by the EMA for the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy. The approval of Orserdu by the EMA triggered a milestone royalty income of $2,750 which was recognized as royalty income by the Trust during the third quarter of 2023 and is receivable by the Trust in the fourth quarter of 2023.

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 nine months ended September 30, 2023, we acquired and cancelled 325,653 Units at an average price of $5.43, totaling $1.8 million. As at September 30, 2023, in aggregate, we 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 27 of this MD&A.

Subsequent to September 30, 2023, we were granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024 ("**November 2023 NCIB**"). In connection with the November 2023 NCIB, we 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.

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 (the "**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 (the "**working capital credit facility**", together with the acquisition credit facility, the "**credit facility**"), the proceeds from which are used for general business purposes and to finance transactions.The unused portion of the credit facility was 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 (the "**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 entered into an amendment to the 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.

Subsequent to September 30, 2023, we increased the total credit available under our amended credit facility to a total of $500 million, comprised of (i) a $375 million acquisition credit facility; (ii) a $25 million working capital credit facility; and (iii) a $100 million term credit facility. The maturity date of the credit facility has also been extended to October 30, 2026 from March 30, 2026. 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 24 of this MD&A.

Preferred Securities

On February 8, 2023, we completed a private placement of securities (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 25 of this MD&A.

Warrants

In connection with the Private Placement, 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 28 of this MD&A.

Follow-on offerings of Units

On July 19, 2023, we completed a follow-on public offering of Units whereby we issued 9,223,000 Units at $8.03 (C$10.60) per Unit, for gross proceeds of $74.1 million (C$97.8 million).

On September 20, 2023, the Trust completed an additional follow-on public offering of its Units whereby the Trust issued 9,430,000 Units at $8.20 (C$11.00) per Unit, for gross proceeds of $77.4 million (C$103.7 million).

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. On August 14, 2023, the board of trustees declared a quarterly cash distribution of $0.075 per Unit totaling $4.2 million to Unitholders of record as at September 30, 2023, which was paid on October 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. Tzield is a biologic drug indicated to delay the onset of stage 3 type 1 diabetes in adults and pediatric patients aged 8 years and older who have stage 2 (at-risk) type 1 diabetes. It was approved by the FDA in November 2022. Tzield is currently the only approved preventative treatment indicated for stage 2 type 1 diabetes patients and is marketed by Sanofi. Tzield is also being investigated in a phase III study for the treatment of newly diagnosed stage 3 type 1 diabetes patients.

We were entitled to receive quarterly royalty payments on a one-quarter lag based on Tzield sales beginning January 1, 2023. Tzield is protected by patent and regulatory exclusivities for 12 years from its first commercial sale. We recognized acquired royalties receivable of $0.1 million related to our royalty entitlement from January 1, 2023 to March 8, 2023, the date of the royalty transaction. Transaction costs of $0.7 million were capitalized as part of the royalty transaction.

On April 27, 2023, we sold our royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for $210 million. Pursuant to the terms of the agreement, we assigned to Sanofi our obligation to pay up to $100 million in milestone payments to the extent the pre-specified events and thresholds are met. We used $20 million of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023, which was paid on July 20, 2023, as described on page 28 of this MD&A. An additional portion of the sale proceeds was used to pay down the entire balance outstanding under our acquisition credit facility on May 2, 2023, as described on page 25 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 29 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 transaction.

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

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

Orserdu Transaction

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

In accordance with the terms of the royalty agreement, we are also entitled to receive up to $55 million in milestone royalty payments based on the achievement of regulatory approvals and sales performance thresholds. Orserdu is an oral, selective estrogen receptor degrader. It is the first and only approved targeted therapy used in the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy. It was approved by the FDA in January 2023 and by the EMA in September 2023. The EMA approval of Orserdu triggered milestone royalty income of $2.8 million, which was recognized as royalty income by the Trust in the third quarter of 2023 and received in the fourth quarter of 2023. Orserdu is patent protected up to January 2038. Orserdu was discovered by Eisai Co., Ltd. and is marketed by Menarini.

Additional Vonjo Royalty Stream

On July 7, 2023, we bought an additional royalty stream on Vonjo for $66 million ("**Vonjo II**"). This royalty is in addition to our existing Vonjo royalty acquired in 2022, as described in the Vonjo I 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. We received our first payment in the third quarter of 2023. Vonjo is patent protected until at least January 2034. We are also entitled to receive up to $107.5 million in milestone royalty payments.

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

Additional Orserdu Royalty Stream

On August 14, 2023, we bought an additional royalty stream on Orserdu for $130 million ("**Orserdu II**"). This royalty is in addition to our existing Orserdu royalty acquired on June 29, 2023, as described in the Orserdu Transaction section above. The transaction entitles us to a net low to high single digit tiered royalty on the worldwide net sales of Orserdu. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2023, with the first payment expected to be received in the fourth quarter of 2023. We have recognized acquired royalties receivable of $1.3 million related to our royalty entitlement accrued from July 1, 2023 to August 14, 2023, the date of the royalty transaction. Transaction costs of $1.6 million were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, we are also entitled to receive up to $40 million in milestone royalty payments on the achievement of sales performance thresholds. Upon the occurrence of pre-specified events, we are obligated to pay a $10 million milestone to the royalty seller.

Summary of Transactions Completed in 2023

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

	Tzield Transaction(i)	Empaveli/Syfovre Transaction	Orserdu I Transaction(ii)	Vonjo II Transaction	Orserdu II Transaction	Total for the nine months ended September 30, 2023
Assets						
Cash and cash equivalents	$ —	$ 14	$ —	$ —	$ —	$ 14
Royalties receivable	96	72	3,415	557	1,299	5,439
Royalty assets	99,904	3,614	81,585	65,443	128,701	379,247
Net acquired assets	$ 100,000	$ 3,700	$ 85,000	$ 66,000	$ 130,000	$ 384,700

(i) On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield, as described above. The net book value of the royalty asset was $99,450 at the time of the sale, as described on page 23 of this MD&A. Acquired royalties receivable of $0.1 million were reversed as the entitlement to the royalty income was sold.

(ii) During the third quarter of 2023, the acquired royalties receivable and the value of the royalty asset were adjusted to reflect the actual royalties received for the period from April 1, 2023 to June 29, 2023.

Transactions Completed in 2022

Vonjo I Transaction

On August 25, 2021, concurrent with the loan receivable, as described on page 23 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 ("**Vonjo I**").

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

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

In accordance with the terms of the royalty agreement, CTI was also entitled to additional consideration of $6.5 million in the event that Vonjo sales exceeded certain thresholds on or before March 31, 2023 (“**Net Sales Threshold I**”) and an additional $18.5 million in the event that Vonjo sales exceeded 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. As at September 30, 2023, the conditions for Net Sales Threshold II were not met and the additional milestone payment was not made.

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 1.0% 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 date of the royalty transaction, 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 and outside the U.S., including the European Union (“**EU**”), by Sobi, where it is marketed under the brand name Aspaveli.

Zejula Transaction

On September 9, 2022, we bought royalties on the sales of Zejula for $35 million. The transaction entitles us to a net 0.5% royalty on worldwide net sales of Zejula by GSK We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2022, and received the 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 the FDA and the EMA as a treatment for 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.

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

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 1.0% 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. We received the first royalty payment in the third quarter of 2023 related to sales for the second half of 2021 and all of 2022. The royalty payment related to sales for the first half of 2023 is expected in the fourth quarter of 2023. 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.

Summary of Transactions Completed in 2022

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

	Vonjo I 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**

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

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the three and nine months ended September 30, 2023, the Trust generated total income of $34,143 and $90,437, respectively (2022 – $26,471 and $70,392, respectively), incurred total expenses of $38,074 and $130,064, respectively (2022 – $18,857 and $53,987, respectively) and generated a net gain on the sale of royalty assets of $150 and $109,756, respectively (2022 – nil and nil, respectively).

During the three and nine months ended September 30, 2023, the Trust also recorded other comprehensive earnings of $652 related to its cash flow hedge (2022 – nil and nil, respectively), resulting in a comprehensive loss of $3,129 and comprehensive earnings of $70,781, respectively (2022 – comprehensive earnings of $7,614 and $16,405, respectively).

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Income				
Royalty income	$ 33,964	$ 25,037	$ 83,463	$ 66,290
Interest and other income on loan receivable	—	1,406	6,506	4,069
Other interest income	179	28	468	33
Total income	**34,143**	**26,471**	**90,437**	**70,392**
Expenses				
Amortization of royalty assets	23,589	13,992	62,357	40,188
Management fees	1,673	1,322	18,909	4,477
Performance fees	—	—	18,616	—
Interest expense	7,717	1,351	20,167	2,617
Deal investigation and research expenses	859	715	2,600	2,365
Unit-based compensation	2,843	298	3,700	849
Other operating expenses	1,393	1,179	3,715	3,491
Total expenses	**38,074**	**18,857**	**130,064**	**53,987**
Net gain on sale of royalty assets	150	—	109,756	—
Net earnings (loss)	**(3,781)**	**7,614**	**70,129**	**16,405**
Other comprehensive earnings				
Net unrealized gain on derivative asset	652	—	652	—
Comprehensive earnings (loss)	**$ (3,129)**	**$ 7,614**	**$ 70,781**	**$ 16,405**

Royalty income

Royalty income is comprised of income from our royalty assets, which represents the contractual right to receive, directly or indirectly, a royalty payment, milestone royalty payment, licence fee or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The Trust typically does not own the licensed intellectual property; rather, it earns income based on rights to a royalty stream generally tied to the related underlying patent, calculated as a percentage of sales revenue generated by a third party at the time 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. Actual milestone royalty receipts are received after the milestone condition has been met and they are paid in accordance with the terms of the agreement with the counterparty. Royalty income of $33,964 for the three months ended September 30, 2023 (2022 – $25,037) includes $31,350 (2022 – $21,211) related to royalty entitlements (including milestones) which will be received subsequent to September 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 nine months ended September 30, 2023 and 2022:

	Three months ended September 30, 2023	Three months ended September 30, 2022	% Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	% Change
Royalty Assets						
Empaveli/Syfovre(i)	$ **815**	$ 125	552 %	$ **2,492**	$ 125	1894 %
Eylea I	**1,325**	1,302	2 %	**3,988**	4,251	(6)%
Eylea II	**288**	1,427	(80)%	**882**	4,661	(81)%
FluMist	**948**	2,487	(62)%	**979**	2,592	(62)%
Natpara	**569**	688	(17)%	**1,815**	2,002	(9)%
Omidria(ii)	**3,250**	—	n/a	**9,750**	—	n/a
Oracea	**2,753**	2,087	32 %	**6,938**	6,271	11 %
Orserdu I(ii),(iii)	**6,330**	—	n/a	**6,355**	—	n/a
Orserdu II(ii)	**1,320**	—	n/a	**1,320**	—	n/a
Rydapt	**1,698**	2,531	(33)%	**6,326**	8,207	(23)%
Spinraza	**4,287**	3,655	17 %	**12,048**	11,495	5 %
Stelara, Simponi and Ilaris(iv),(v)	**436**	765	(43)%	**1,043**	2,633	(60)%
Vonjo I	**3,079**	2,443	26 %	**8,110**	3,230	151 %
Vonjo II(ii)	**481**	—	n/a	**481**	—	n/a
Xenpozyme(ii)	**102**	—	n/a	**472**	—	n/a
Xolair	**2,644**	2,139	24 %	**8,359**	7,757	8 %
Zejula	**770**	145	431 %	**2,329**	145	1506 %
Zytiga	**2,436**	4,828	(50)%	**8,264**	11,152	(26)%
Other Products(vi)	**433**	415	4 %	**1,512**	1,769	(15)%
Total Royalty Income	**$ 33,964**	**$ 25,037**	**36 %**	**$ 83,463**	**$ 66,290**	**26 %**

(i) Empaveli/Syfovre include two royalty streams on each product held directly.
(ii) The Trust recorded no royalty income related to Omidria, Orserdu I, Orserdu II, Vonjo II or Xenpozyme prior to September 30, 2022 as the Trust obtained control over the royalty assets in subsequent periods, as described on page 6 of this MD&A.
(iii) Royalty income for Orserdu I for the three months ended September 30, 2023 includes $2,750 in milestone income.
(iv) 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.
(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 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 nine months ended September 30, 2022, respectively. There is no remaining obligation as at September 30, 2023 (December 31, 2022 – nil) related to the past overpayments of Ilaris.
(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 September 30, 2023 was $33,964 (2022 – $25,037). The increase in royalty income is primarily due to (i) royalty income earned related to Omidria, Orserdu I, Orserdu II, Vonjo II and Xenpozyme, which were added to the portfolio subsequent to September 30, 2022, as described on page 6 of this MD&A; (ii) the inclusion of milestone royalty income of $2,750 from Orserdu I due to the drug receiving EMA approval, as described on page 7 of this MD&A; (iii) the inclusion of a second royalty stream for Empaveli/Syfovre and the approval of Syfovre in 2023; (iv) increased sales from Oracea due to new marketing strategies put in place by Galderma, (v) patient growth and increased pricing in the United States for Spinraza; and (vi) royalties from Zejula for the full quarter in 2023 compared to only one month in 2022 after the royalty transaction was completed. 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 projected decline in sales for 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 contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; and (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.

Royalty income for the nine months ended September 30, 2023 was $83,463 (2022 – $66,290). The increase in royalty income is primarily due to (i) royalty income earned related to Omidria, Orserdu I, Orserdu II, Vonjo II and Xenpozyme which were added to the portfolio subsequent to September 30, 2022, as described on page 6 of this MD&A; (ii) the inclusion of milestone royalty income of $2,750 from Orserdu I due to the drug receiving EMA approval; (iii) the inclusion of a second royalty stream for Empaveli/Syfovre and the approval of Syfovre in 2023; and (iv) strong sales from Vonjo I since the drug's approval by the FDA during the first quarter of 2022; and (v) royalties from Zejula for three full quarters in 2023 compared to only one month in 2022 after the royalty transaction was completed. 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 projected 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 expiration of royalty entitlements in certain geographies as expected for Rydapt; (iv) the continued expiry of the royalty entitlements in major geographic areas as expected for Stelara, Simponi and Ilaris; (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 assets added to the portfolio subsequent to September 30, 2022 contributed $11,483 and $18,378 in royalty income for the three and nine months ended September 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, which was repaid in full on June 26, 2023, as described on pages 5 and 23 of this MD&A. Interest and other income for the three and nine months ended September 30, 2023 and 2022 is presented below:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest on principal loan receivable	$ —	$ 1,340	$ 3,264	$ 3,854
Amortization of commitment fee	—	22	368	72
Accretion of exit fee received	—	44	734	143
Premiums for prepayment	—	—	2,140	—
Interest and other income on loan receivable	**$ —**	**$ 1,406**	**$ 6,506**	**$ 4,069**

The Trust did not record interest and other income on loan receivable for the three months ended September 30, 2023 as the loan receivable was repaid in full on June 26, 2023 (2022 – $1,406).

The increase in interest and other income on the loan receivable for the nine months ended September 30, 2023 compared to the same period in 2022 is due to the full prepayment of the loan receivable, as described on page 23 of this MD&A. Interest on the principal loan receivable for the nine months ended September 30, 2023 of $3,264 represents interest accrued from January 1, 2023 to June 26, 2023, the date of the repayment, while interest on the principal loan receivable of $3,854 for the same period in 2022 represents interest earned on three full quarters of 2022.

Amortization of commitment fee for the nine months ended September 30, 2023 of $368 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 – $72). The accretion of the exit fee received for the nine months ended September 30, 2023 of $734 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 – $143). The premiums for prepayment for the nine months ended September 30, 2023 of $2,140 represent the prepayment penalty and 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 nine months ended September 30, 2023, the Trust recorded amortization of royalty assets of $23,589 and $62,357, respectively (2022 – $13,992 and $40,188, respectively).

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

Management fees

We pay management fees on a quarterly basis to our manager, as described on page 29 of this MD&A. The Trust recorded management fees of $1,673 and $18,909, respectively, during the three and nine months ended September 30, 2023 (2022 – $1,322 and $4,477, respectively).

The increase in management fees for the three months ended September 30, 2023 compared to the same period in 2022 is primarily due to higher cash royalty receipts from our royalty portfolio compared to the same period in 2022, as described on page 17 of this MD&A.

The increase in management fees for the nine months ended September 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 nine months ended September 30, 2023 compared to the same period in 2022, as described on page 17 of this MD&A.

Performance fees

We pay performance fees to our manager when certain conditions are met, as described on page 29 of this MD&A. The Trust recorded performance fees during the three and nine months ended September 30, 2023 of nil and $18,616, respectively (2022 – nil and nil, respectively). The conditions for performance fee payments were met during the second quarter of 2023 as a result of the sale of 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 24 of this MD&A. On February 8, 2023, the Trust issued the Preferred Securities in connection with the Private Placement as described on page 25 of this MD&A, resulting in gross proceeds of $95,000.

Interest expense for the three and nine months ended September 30, 2023 and 2022 is presented below. The increase in interest expense during the three and nine months ended September 30, 2023 compared to the same periods in 2022 was primarily due to (i) additional long-term debt the Trust has taken on subsequent to September 30, 2022 to fund transactions, as described on page 7 of this MD&A; (ii) higher interest rates incurred on the Trust's amended credit facility; and (iii) the inclusion of interest expense during 2023 related to the Preferred Securities, as described on page 25 of this MD&A. The Trust's long-term debt is discussed further on page 24 of this MD&A.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest on credit facility net borrowings	$ 4,080	$ 1,009	$ 10,749	$ 1,776
Standby fees	154	273	534	677
Amortization of deferred transaction costs	423	69	1,124	164
Total interest expense on credit facilities	**$ 4,657**	**$ 1,351**	**$ 12,407**	**$ 2,617**
Interest on Preferred Securities	$ 2,037	$ —	$ 5,202	$ —
Accretion of par value	884	—	2,205	—
Amortization of deferred transaction costs	139	—	353	—
Total interest expense on Preferred Securities	**$ 3,060**	**$ —**	**$ 7,760**	**$ —**
Total interest expense	**$ 7,717**	**$ 1,351**	**$ 20,167**	**$ 2,617**

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 nine months ended September 30, 2023, the Trust recorded deal investigation and research expenses of $859 and $2,600, respectively (2022 – $715 and $2,365, respectively). The increase in deal investigation and research expenses for the three and nine months ended September 30, 2023 was primarily driven by the additional research related services and consultants due to the growth of the Trust's asset acquisition initiatives in the current year when compared with the same periods 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 nine months ended September 30, 2023, the unit-based compensation expense was $2,843 and $3,700, respectively (2022 – $298 and $849, respectively) and was comprised of Restricted Unit ("**RU**") grants, net of RU forfeitures during the period. As at September 30, 2023, the unit-based compensation liability was $1,368 (December 31, 2022 – $778), comprised of a current portion of $881 (December 31, 2022 – $509) and a long-term portion of $487 (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 September 30, 2023:

	Restricted Units
Balance – January 1, 2022	**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 granted:	
Granted on November 22, 2022(iii)	62,500 Units
Granted on November 22, 2022(iv)	22,500 Units
Distribution equivalent Units granted(ii)	5,126 Units
Vesting of Restricted Units	(54,864) Units
Forfeiture of Restricted Units	(3,697) Units
Balance – December 31, 2022	**392,594 Units**
Restricted Units granted:	
Granted on August 17, 2023(v)	**235,278 Units**
Granted on August 17, 2023(iv)	**16,000 Units**
Distribution equivalent Units granted(ii)	**33,830 Units**
Vesting of Restricted Units	**(350,316) Units**
Forfeiture of Restricted Units	**(30,433) Units**
Balance – September 30, 2023	**296,953 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 equally on March 31, 2023, September 10, 2024 and September 10, 2025.
(iv) Vesting equally on September 10, 2023, September 10, 2024 and September 10, 2025.
(v) Vested immediately on August 17, 2023.

No Options or Performance Units ("**PUs**") were granted as at September 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 nine months ended September 30, 2023, the Trust recorded total operating expenses of $1,393 and $3,715, respectively (2022 – $1,179 and $3,491, respectively).

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Board of trustees fees	**$ 321**	$ 117	**$ 790**	$ 344
Professional fees	**512**	616	**1,568**	2,113
Amortization of other current assets	**—**	114	**240**	114
Other expenses	**560**	332	**1,117**	920
Total other operating expenses	**$ 1,393**	**$ 1,179**	**$ 3,715**	**$ 3,491**

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.

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

During the three and nine months ended September 30, 2023, the board of trustees granted 11,867 and 41,841 DUs, respectively (2022 – 12,277 and 35,643, respectively) in lieu of cash compensation to trustees and 963 and 8,623 distribution equivalent Units, respectively (2022 – 451 and 898, respectively) in relation to the quarterly distributions. Board compensation expense for the three and nine months ended September 30, 2023 included $136 and $513, respectively (2022 – $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 $809 (December 31, 2022 – $296) and was included in other current liabilities.

The increase in board compensation expense for the three and nine months ended September 30, 2023 over the same periods in the prior year is due to (i) an increase in the Unit price of the Trust; (ii) the addition of another independent trustee in the fourth quarter of 2022; and (iii) a one-time additional payment of $141 made to the board of trustees in the third quarter of 2023.

Professional fees

For the three and nine months ended September 30, 2023, the Trust recorded total professional fees of $512 and $1,568, respectively (2022 – $616 and $2,113, respectively) related to professional services including audit, legal, tax, valuation and consulting. The decrease for the three months ended September 30, 2023 was primarily due to higher audit fees recorded in 2022. The decrease was partially offset by the higher legal fees recorded in 2023 related to legal entity matters and governance. The decrease for the nine months ended September 30, 2023 was primarily due to higher legal fees incurred in 2022 associated with the litigation of a royalty asset and higher tax compliance fees recorded in 2022.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre Transaction, as described on page 8 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 September 30, 2023, the option has been fully amortized and has no remaining net book value (December 31, 2022 – $240). For the three and nine months ended September 30, 2023, the Trust recorded amortization related to the option of nil and $240, respectively, (2022 – $114 and $114, respectively).

Net gain on sale of royalty assets

For the three and nine months ended September 30, 2023, the Trust recorded a net gain on the sale of its royalty assets of $150 and $109,756, respectively, (2022 – nil and nil, respectively) 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 net gain of $150 for the three months ended September 30, 2023 arose from the reversal in the quarter of an over-accrual of legal fees related to the sale. The gain of $109,756 for the nine months ended September 30, 2023 is net of the acquired royalties receivable of $96 recorded at the time of the purchase and transactions costs related to the sale of $697.

Net unrealized gain on derivative asset

The Trust uses an interest rate swap as a derivative financial instrument designated as a cash flow hedge to manage interest rate risk related to its amended credit facility, as described on page 24 of this MD&A. The Trust does not hold or use any derivative financial instruments for speculative trading purposes. During the three months ended September 30, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of $100,000 of the amended credit facility. The details of the interest rate swap are as follows:

Derivative Asset	Maturity Date	Notional Value	Fair Value as at September 30, 2023	Fair Value as at December 31, 2022
Interest rate swap	March 31, 2026	$ **100,000**	$ **652**	n/a

The Trust applies hedge accounting, as described on page 30 of this MD&A. During the three and nine months ended September 30, 2023, the Trust recognized an unrealized fair value gain in other comprehensive earnings of $652 (2022 - nil) as a result of the interest rate swap derivative asset.

Weighted average number of Units

For the three months ended September 30, 2023, the Trust generated basic and fully diluted net earnings (loss) per Unit of $(0.08) (2022 – $0.20). For the nine months ended September 30, 2023, the Trust generated basic and fully diluted net earnings per Unit of $1.73 (2022 – $0.42). The weighted average number of Units outstanding for the purpose of calculating earnings per Unit were as follows:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Basic	**46,115,848 Units**	38,657,266 Units	**40,485,450 Units**	38,684,889 Units
Diluted	**46,205,568 Units**	38,694,492 Units	**40,664,366 Units**	38,710,064 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	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Total assets	$ 811,522	$ 720,343	$ 692,331	$ 633,419	$ 614,042	$ 450,167	$ 453,773	$ 436,695
Credit facility and Preferred Securities[(i)]	204,287	236,341	290,576	212,358	186,858	50,858	54,881	40,205
Three months ended	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Total income	$ 34,143	$ 28,058	$ 28,236	$ 22,642	$ 26,471	$ 21,296	$ 22,625	$ 22,214
Total expenses[(ii)]	(38,074)	(62,631)	(29,359)	(27,449)	(18,857)	(18,199)	(16,931)	(18,852)
Net gain on sale of royalty assets	150	109,606	—	—	—	—	—	—
Net earnings (loss)	$ (3,781)	$ 75,033	$ (1,123)	$ (4,807)	$ 7,614	$ 3,097	$ 5,694	$ 3,362
Net unrealized gain on derivative asset	652	—	—	—	—	—	—	—
Comprehensive earnings (loss)	$ (3,129)	$ 75,033	$ (1,123)	$ (4,807)	$ 7,614	$ 3,097	$ 5,694	$ 3,362
Net earnings (loss) per Unit								
Basic	$ (0.08)	$ 2.00	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08
Diluted	$ (0.08)	$ 2.00	$ (0.03)	$ (0.13)	$ 0.20	$ 0.08	$ 0.15	$ 0.08
Distributions per Unit[(iii)]								
Cash	$ 0.0750	$ 0.6084	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.0750	$ 0.2950
Unit[(iv)]	n/a	n/a	n/a	$ 0.1655	n/a	n/a	n/a	$ 0.0360
Weighted average number of Units								
Basic	46,115,848	37,487,973	37,753,194	38,231,059	38,657,266	38,654,707	38,743,644	39,802,522
Diluted	46,205,568	37,680,076	37,821,801	38,270,508	38,694,492	38,666,241	38,743,769	39,810,526

(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 24 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 the loan receivable, fees and premiums related thereto and proceeds from the sale of royalty assets which consist of the proceeds from the sale of our Tzield royalty interest.

Total Cash Royalty Receipts refers to aggregate cash royalty receipts and milestone royalty receipts from our portfolio of royalty assets and forms part of Total Cash Receipts. Because of the lag between when we record royalty income and receive the corresponding cash payments on our royalties and milestones, we believe Total Cash Receipts and Total Cash Royalty Receipts are useful measures when evaluating our operations, as they represent actual cash generated in respect of all royalty assets held during a period. We also present Normalized Total Cash Receipts, which refers to Total Cash Receipts adjusted to remove cash receipts that are not expected to recur in the normal course of our operations. We believe that Normalized Total Cash Receipts will assist readers in evaluating the period over period performance of our royalty portfolio since Normalized Total Cash Receipts only includes cash receipts generated by royalties and other amounts payable pursuant to the terms of our royalty assets and interest on the loan receivable.

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

	Cash Receipts			Cash Receipts		
	Three months ended September 30, 2023	Three months ended September 30, 2022	% Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	% Change
Royalty Assets						
Empaveli/Syfovre(i)	$ —	$ —	n/a	$ 438	$ —	n/a
Eylea I	**1,331**	1,318	1 %	**4,055**	4,109	(1)%
Eylea II	**289**	1,444	(80)%	**1,705**	4,474	(62)%
FluMist	**4**	—	n/a	**1,479**	2,218	(33)%
Natpara	**585**	728	(20)%	**1,806**	2,050	(12)%
Omidria	**3,250**	—	n/a	**9,750**	—	n/a
Oracea	**2,770**	2,109	31 %	**6,052**	5,817	4 %
Orserdu I	**3,453**	—	n/a	**3,453**	—	n/a
Orserdu II(ii)	—	—	n/a	—	—	n/a
Rydapt	**1,694**	2,578	(34)%	**6,544**	7,876	(17)%
Spinraza	**4,319**	3,736	16 %	**12,358**	12,587	(2)%
Stelara, Simponi and Ilaris(iii),(iv)	**222**	721	(69)%	**1,022**	3,107	(67)%
Vonjo I	**2,716**	1,184	129 %	**7,055**	1,404	402 %
Vonjo II	**396**	—	n/a	**396**	—	n/a
Xenpozyme	**247**	—	n/a	**247**	—	n/a
Xolair	**2,671**	2,528	6 %	**6,747**	6,627	2 %
Zejula	**777**	—	n/a	**2,259**	—	n/a
Zytiga(v)	—	—	n/a	**8,543**	8,958	(5)%
Other Products(vi),(vii)	**525**	1,158	(55)%	**1,755**	2,001	(12)%
Total Cash Royalty Receipts(x)	**$ 25,249**	**$ 17,504**	**44 %**	**$ 75,664**	**$ 61,228**	**24 %**
Interest receipts from loan receivable(viii)	$ —	$ 1,340	(100)%	$ **3,264**	$ 3,854	(15)%
Principal repayment of loan receivable(viii),(xi)	—	—	n/a	**50,000**	—	n/a
Exit fee received for loan receivable(viii),(xi)	—	—	n/a	**1,000**	—	n/a
Premiums for prepayment of loan receivable(viii),(xi)	—	—	n/a	**2,140**	—	n/a
Proceeds from sale of royalty assets(ix),(xi)	—	—	n/a	**210,000**	—	n/a
Total Cash Receipts(x)	**$ 25,249**	**$ 18,844**	**34 %**	**$ 342,068**	**$ 65,082**	**426 %**
Principal repayment of loan receivable(viii),(xi)	$ —	$ —	n/a	$ **(50,000)**	$ —	n/a
Exit fee received for loan receivable(viii),(xi)	—	—	n/a	**(1,000)**	—	n/a
Premiums for prepayment of loan receivable(viii),(xi)	—	—	n/a	**(2,140)**	—	n/a
Proceeds from sale of royalty assets(ix),(xi)	—	—	n/a	**(210,000)**	—	n/a
Normalized Total Cash Receipts(x)	**$ 25,249**	**$ 18,844**	**34 %**	**$ 78,928**	**$ 65,082**	**21 %**

(i) Per the royalty agreement, Empaveli/Syfovre royalty cash receipts are to be received on a three-quarter lag. The previous quarters royalty cash receipts were received on a two-quarter lag, no royalty cash receipt was received this quarter as the royalty payer is expected to remit with a three-quarter lag. We expect the payment in Q4 2023.
(ii) The Trust completed a transaction in respect of Orserdu II during the third quarter of 2023. In accordance with the terms of the royalty agreements, cash royalty receipts are collected on a one-quarter lag.
(iii) Stelara, Simponi and Ilaris were previously referred to as the Autoimmune Portfolio. The royalty assets include two royalty streams on each product, for a total of six royalty streams.
(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 nine months ended September 30, 2022, respectively. There is no remaining obligation as at September 30, 2023 (December 31, 2022 – nil) related to the past overpayments.
(v) Cash royalties from Zytiga are received on a semi-annual basis during the second and fourth quarters of each year.
(vi) Other Products includes royalty income from certain other royalty assets as well as royalty assets which are fully amortized and, where applicable, the entitlements to which have generally expired.
(vii) For the three and nine months ended September 30, 2022, the Trust received $750 related to the settlement of litigation on a royalty asset which predated the Trust's acquisition of such royalty asset. The entitlement to royalties on the royalty asset expired in the fourth quarter of 2018.
(viii) Interest receipts from loan receivable relates to the loan receivable, which was repaid in full on June 26, 2023, as described on page 23 of this MD&A. The interest receipt for the three months ended September 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.
(ix) 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.
(x) Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.
(xi) 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.

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

Normalized Total Cash Receipts and Total Cash Receipts during the three months ended September 30, 2023 were $25,249, representing an increase of $6,405 or 34% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of $33,964 during the three months ended September 30, 2023 (2022 – $26,443).

Total Cash Royalty Receipts during the three months ended September 30, 2023 increased by $7,745 or 44% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties for Omidria, Orserdu I, Vonjo II, Xenpozyme and Zejula, which had not yet generated cash receipts in September 30, 2022 and contributed $8,123 during the current quarter; (ii) the increase in royalties for Vonjo I, which has demonstrated strong growth since being approved by the FDA during the first quarter 2022; (iii) the increase in Oracea due to the success of new marketing strategies put in place by Galderma and the receipt in the current quarter of an adjustment related to the prior quarter's royalties; and (iv) the increase in royalties for Spinraza due to patient growth and increased pricing in the United States. 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 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; and (iv) the inclusion of the royalty litigation settlement of $750 in Other Products in 2022.

Cash interest receipts from loan receivable were nil for the three months ended September 30, 2023 due to the prepayment of the loan receivable by CTI on June 26, 2023, as described on page 5 of this MD&A.

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

Normalized Total Cash Receipts during the nine months ended September 30, 2023 were $78,928, representing an increase of $13,846 or 21% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of $89,969 during the nine months ended September 30, 2023 (2022 – $70,359).

Total Cash Royalty Receipts during the nine months ended September 30, 2023 increased by $14,436 or 24% 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, Orserdu I, Vonjo II, Xenpozyme and Zejula, which had not yet generated cash receipts as of September 30, 2022 and contributed $16,543 during the nine months ended September 30, 2023; and (ii) and the increase in royalties for Vonjo I, which has demonstrated strong growth since being approved by the FDA during the first quarter 2022. The increase in cash royalty receipts was partially offset by (i) a decrease in the royalties received 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 projected 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 expiration of royalty entitlements in certain geographies as expected for Rydapt; and (vi) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris.

For the nine months ended September 30, 2023, the Trust's Total Cash Receipts were $342,068 (2022 – $65,082) and included cash receipts related to the interest on the loan receivable, the repayment of the loan receivable by CTI along with 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 receipts from loan receivable were $3,264 for the nine months ended September 30, 2023, which represent a decrease of $590 or 15% compared to the same period in 2022. This is due to the repayment of the loan receivable in 2023, resulting in interest payments only being received for the period from January 1, 2023 to June 26, 2023.

In accordance with the loan agreement with CTI, upon receiving repayment of the $50,000 principal amount of the loan receivable, 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. 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 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Total income	$ 34,143	$ 26,471	$ 90,437	$ 70,392
[-] Other interest income	(179)	(28)	(468)	(33)
[+] Royalties receivable, beginning of period	29,110	27,498	27,748	30,148
[-] Royalties receivable, end of period	(40,886)	(36,386)	(40,886)	(36,386)
[+] Acquired royalties receivable(i)	3,061	1,366	5,343	1,366
[-] Non-cash royalty income(ii)	—	(11)	(4)	(190)
[-] Non-cash interest and other income on loan receivable(iii)	—	(66)	(1,102)	(215)
[+] Principal repayment of loan receivable	—	—	50,000	—
[+] Exit fee received for loan receivable(iii)	—	—	1,000	—
[+] Proceeds from sale of royalty assets	—	—	210,000	—
[=] Total Cash Receipts	**$ 25,249**	**$ 18,844**	**$ 342,068**	**$ 65,082**
[-] Principal repayment of loan receivable(iv)	—	—	(50,000)	—
[-] Exit fee received for loan receivable(iii),(iv)	—	—	(1,000)	—
[-] Premiums for prepayment of loan receivable(iv)	—	—	(2,140)	—
[-] Proceeds from sale of royalty assets(iv)	—	—	(210,000)	—
[=] Normalized Total Cash Receipts	**$ 25,249**	**$ 18,844**	**$ 78,928**	**$ 65,082**
[-] Interest and other income on loan receivable	—	(1,406)	(6,506)	(4,069)
[+] Non-cash interest and other income on loan receivable(iii)	—	66	1,102	215
[+] Premiums for prepayment of loan receivable(iv)	—	—	2,140	—
[=] Total Cash Royalty Receipts	**$ 25,249**	**$ 17,504**	**$ 75,664**	**$ 61,228**

(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 second quarter of 2023 as the Trust's royalty interest in Tzield was sold, as described on page 6 of this MD&A.

(ii) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three and nine months ended September 30, 2022 of nil 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 September 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 were used to reduce the obligation during the three and nine months ended September 30, 2023, respectively (2022 – $11 and $11, 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 nine months ended September 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and $368, respectively (2022 – $22 and $72, respectively) and the accretion of exit fees receivable of nil and $734, respectively (2022 – $44 and $143, respectively). 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 23 of this MD&A. The exit fee of $1,000 received in the second quarter of 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 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 (loss) and comprehensive earnings (loss). 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Comprehensive earnings (loss)	$ (3,129)	$ 7,614	$ 70,781	$ 16,405
[+] Amortization of royalty assets	23,589	13,992	62,357	40,188
[+] Amortization of other current assets(i)	—	114	240	114
[-] Other interest income	(179)	(28)	(468)	(33)
[+] Interest expense	7,717	1,351	20,167	2,617
EBITDA	**27,998**	**23,043**	**153,077**	**59,291**
[+] Royalties receivable, beginning of period	29,110	27,498	27,748	30,148
[-] Royalties receivable, end of period	(40,886)	(36,386)	(40,886)	(36,386)
[+] Acquired royalties receivable(ii)	3,061	1,366	5,343	1,366
[+] Unit-based compensation(iii)	1,637	298	2,352	849
[+] Board of trustees unit-based compensation(iv)	136	72	513	205
[-] Non-cash royalty income(v)	—	(11)	(4)	(190)
[-] Non-cash interest and other income on loan receivable(vi)	—	(66)	(1,102)	(215)
[-] Premiums for prepayment of loan receivable(vii)	—	—	(2,140)	—
[-] Net gain on sale of royalty assets(viii)	(150)	—	(109,756)	—
[-] Net unrealized gain on derivative asset	(652)	—	(652)	—
[+] Management fee on sale of royalty asset(ix)	—	—	13,650	—
[+] Performance fee on sale of royalty asset(ix)	—	—	18,616	—
[=] Adjusted EBITDA	**$ 20,254**	**$ 15,814**	**$ 66,759**	**$ 55,068**

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 15 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 second quarter of 2023 as the Trust’s royalty interest in Tzield was sold, as described on page 6 of this MD&A.
(iii) For the three and nine months ended September 30, 2023, unit-based compensation expense was $2,843 and $3,700, respectively (2022 – $298 and $849, respectively), of which $1,206 and $1,348, respectively, were paid in cash (2022 – nil and nil, respectively).
(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 14 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 nine months ended September 30, 2022 of nil 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 September 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 were used to reduce the obligation during the three and nine months ended September 30, 2023, respectively (2022 – $11 and $11, 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 nine months ended September 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and $368, respectively (2022 – $22 and $72, respectively) and the accretion of exit fees receivable of nil and $734, respectively (2022 – $44 and $143, respectively).
(vii) The Trust received a prepayment premium for prepayment of the loan receivable, as described on page 23 of this MD&A.
(viii) During the second quarter of 2023, the Trust sold its royalty interest in Tzield, as described on page 6 of this MD&A. The net gain on sale is further described on page 15 of this MD&A.
(ix) During the nine months ended September 30, 2023, the Trust paid management fees of $13,650 and performance fees of $18,616 related to the sale of the Tzield royalty asset, pursuant to the management agreement, as described in note 2(n) to the Trust’s 2022 annual consolidated financial statements.

Adjusted EBITDA during the three months ended September 30, 2023 was $20,254, representing an increase of $4,440 or 28% compared to the same period in 2022. Adjusted EBITDA during the nine months ended September 30, 2023 was $66,759, representing an increase of $11,691 or 21% compared to the same period in 2022. The increase in Adjusted EBITDA for both the three and nine months ended September 30, 2023 is primarily attributed to the increase in royalty income compared to the same periods in 2022. Royalty income increased by $8,927 and $17,173, respectively, for the three and nine months ended September 30, 2023, compared to the same periods in 2022, as described on page 10 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. Since Q2 2023 Adjusted EBITDA Margin has been calculated using Normalized Total Cash Receipts which eliminates the impact of cash receipts not expected to recur in the normal course of our operations. In prior periods, Total Cash Receipts had been used for our calculation of Adjusted EBITDA Margin; however, with the inclusion of cash receipts that are not expected to recur in Total Cash Receipts, in order for Adjusted EBITDA Margin to be presented on a comparable basis with respect to prior periods, Normalized Total Cash Receipts has been used 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Adjusted EBITDA	$ 20,254	$ 15,814	$ 66,759	$ 55,068
[÷] Normalized Total Cash Receipts	$ 25,249	$ 18,844	$ 78,928	$ 65,082
[=] Adjusted EBITDA Margin	80%	**84%**	85%	**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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Comprehensive earnings (loss)	$ (3,129)	$ 7,614	$ 70,781	$ 16,405
[+] Amortization of royalty assets	23,589	13,992	62,357	40,188
[+] Amortization of other current assets(i)	—	114	240	114
[+] Unit-based compensation(ii)	1,637	298	2,352	849
[+] Board of trustees unit-based compensation(iii)	136	72	513	205
[-] Non-cash royalty income(iv)	—	(11)	(4)	(190)
[-] Non-cash interest and other income on loan receivable(v)	—	(66)	(1,102)	(215)
[-] Premiums for prepayment of loan receivable(vi)	—	—	(2,140)	—
[-] Net gain on sale of royalty assets(vii)	(150)	—	(109,756)	—
[-] Net unrealized gain on derivative asset	(652)	—	(652)	—
[+] Management fee on sale of royalty asset(viii)	—	—	13,650	—
[+] Performance fee on sale of royalty asset(viii)	—	—	18,616	—
Adjusted Cash Earnings	$ 21,431	**$ 22,013**	$ 54,855	**$ 57,356**
[÷] Weighted average number of Units – basic	46,115,848	38,657,266	40,485,450	38,684,889
[=] Adjusted Cash Earnings per Unit – basic	$ 0.46	$ 0.57	$ 1.35	$ 1.48
[÷] Weighted average number of Units – diluted	46,205,568	38,694,492	40,664,366	38,710,064
[=] Adjusted Cash Earnings per Unit – diluted	$ 0.46	$ 0.57	$ 1.35	$ 1.48

(i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 15 of this MD&A. The related amortization expense is recorded in other operating expenses.
(ii) For the three and nine months ended September 30, 2023, unit-based compensation expense was $2,843 and $3,700, respectively (2022 – $298 and $849, respectively), of which $1,206 and $1,348, respectively (2022 – nil and nil, respectively) 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 14 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 nine months ended September 30, 2022 of nil 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 September 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 were used to reduce the obligation during the three and nine months ended September 30, 2023, respectively (2022 – $11 and $11, 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 nine months ended September 30, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and $368, respectively (2022 – $22 and $72, respectively) and the accretion of exit fees receivable of nil and $734, respectively (2022 – $44 and $143, respectively). 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 23 of this MD&A. The accelerated exit fee income recognized in the nine months ended September 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 23 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 nine months ended September 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 nine months ended September 30, 2023, the Trust paid management fees of $13,650 and performance fees of $18,616 related to the sale of the Tzield royalty asset, pursuant to the 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 Adjusted Cash Earnings per Unit for the three and nine months ended September 30, 2023 were $0.46 and $1.35, respectively, compared to $0.57 and $1.48, respectively, for the same periods in 2022. The decrease of $0.11 and $0.13 per Unit for both the three and nine months ended September 30, 2023, respectively, is primarily attributed to the increase in the weighted average number of Units outstanding due to the follow-on public offerings completed by the Trust during the third quarter of 2023, as described on page 6 of this MD&A. Partially offsetting the increase in weighted average number of Units outstanding were increases in certain cash-based recurring income, such as royalty income, included in net earnings and comprehensive earnings. Royalty income increased by $8,927 and $17,173 during the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, as described on page 10 of this MD&A.

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

FINANCIAL REVIEW: FINANCIAL POSITION

As at September 30, 2023, the Trust had consolidated total assets of $811,522 (December 31, 2022 – $633,419) and consolidated total liabilities of $251,624 (December 31, 2022 – $261,078). The following table presents the components of consolidated total assets and total liabilities as at September 30, 2023 and December 31, 2022, followed by a discussion of significant categories of assets and liabilities.

	As at September 30, 2023	As at December 31, 2022
Assets		
Cash and cash equivalents	$ 28,208	$ 36,686
Royalties receivable	40,886	27,748
Other current assets	682	469
Current assets	69,776	64,903
Royalty assets, net of accumulated amortization	740,040	518,134
Loan receivable	—	49,897
Derivative assets	652	—
Other non-current assets	1,054	485
Non-current assets	741,746	568,516
Total assets	$ 811,522	$ 633,419
Liabilities		
Accounts payable and accrued liabilities	$ 6,100	$ 5,542
Distributions payable to Unitholders	4,224	2,834
Current portion of credit facility	39,000	34,571
Current portion of unit-based compensation liability	881	509
Other current liabilities	946	6,936
Current liabilities	51,151	50,392
Credit facility	107,582	210,417
Preferred Securities	92,404	—
Unit-based compensation liability	487	269
Total liabilities	$ 251,624	$ 261,078

Royalty assets

As at September 30, 2023, the net book value of our royalty assets was $740,040 (December 31, 2022 – $518,134), net of accumulated amortization of $160,338 (December 31, 2022 – $99,147). During the three and nine months ended September 30, 2023, the Trust recorded additions to the cost of its royalty assets totaling $195,464 and $383,713, respectively (December 31, 2022 – $283,742) related to the royalty transactions, as described on page 6 of this MD&A. During the nine months ended September 30, 2023, 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 I 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 September 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 September 30, 2023, the Trust had distributions payable of $4,224, representing a quarterly cash distribution declared on August 14, 2023 to Unitholders of record as at September 30, 2023, which was paid on October 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 the credit agreement for credit facilities comprised of (i) a $175,000 senior secured revolving 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, the proceeds from which are used for general business purposes and to finance transactions. The unused portion of the credit facility was 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, as amended from time to time, which added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan 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 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.

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 September 30, 2023 (December 31, 2022 – nil).

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

	As at September 30, 2023			As at December 31, 2022
	Total Available Credit	Remaining Available Credit	Balance Outstanding	Balance Outstanding
Acquisition credit facility	$ 225,000	$ 154,188	$ 70,812	$ 102,554
Working capital credit facility	25,000	25,000	—	—
Term credit facility	88,750	—	77,500	144,375
	$ 338,750	$ 179,188	$ 148,312	**$ 246,929**
Deferred transaction costs, net of amortization	n/a	n/a	(1,730)	(1,941)
Total	$ 338,750	$ 179,188	$ 146,582	**$ 244,988**
Current portion of credit facility			$ 39,000	$ 34,571
Long-term portion of credit facility			107,582	210,417
Total			$ 146,582	**$ 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 nine months ended September 30, 2023 of $294,422 (2022 – $30,526), using the proceeds from the issuance of the Preferred Securities, as described below, and the proceeds from the Trust's sale of its royalty interest in Tzield, as described on page 6 of this MD&A. During the nine months ended September 30, 2023, the Trust also made regular principal repayments of $37,909 (2022 – $18,072), for total credit facility repayments of $332,331 (2022 – $48,598).

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 Orserdu I Transaction. On August 10, 2023, the Trust drew $75,000 from the acquisition credit facility to fund the royalty Orserdu II transaction. The remaining amount of the transaction was funded by the July 19, 2023 public follow-on offering as described on page 6 of this MD&A.

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

		Total
Remainder: 2023	$	—
Full year: 2024		48,750
Full year: 2025		39,000
Full year: 2026		60,562
	$	**148,312**

Subsequent to September 30, 2023, the Trust increased the total credit available under its amended credit facility to $500,000, comprised of (i) a $375,000 acquisition credit facility; (ii) a $25,000 working capital credit facility; and (iii) a $100,000 term credit facility. The maturity date of the credit facility has also been extended to October 31, 2026, from March 30, 2026. The maturity date may be extended by one-year increments subject to obtaining approval from the lenders. All other material terms of the amended credit agreement remain unchanged.

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 September 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 of the Warrants. The proceeds were used to finance transactions and repay amounts owing under the Trust's amended credit facility. The Warrants are further described on page 28 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 September 30, 2023		As at December 31, 2022
Series A	**$**	**78,622**	$	—
Series B		**16,353**		—
	$	**94,975**	**$**	**—**
Deferred transaction costs, net of amortization		**(2,571)**		—
Total	**$**	**92,404**	**$**	**—**

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

FINANCIAL REVIEW: CASH FLOWS

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash and cash equivalents – beginning of period	$ 36,686	$ 61,712
Cash provided by operating activities	33,150	51,347
Cash provided by (used in) financing activities	86,819	149,397
Cash provided by (used in) investing activities	(128,447)	(241,989)
Change in cash and cash equivalents	(8,478)	(41,245)
Cash and cash equivalents – end of period	$ 28,208	$ 20,467

During the nine months ended September 30, 2023, the Trust generated cash flows provided by operating activities of $33,150 (2022 – $51,347) primarily related to cash royalties received.

For the nine months ended September 30, 2023, the Trust used cash flows of $86,819 in financing activities. The Trust completed a Private Placement, as described on page 25 of this MD&A. The Private Placement provided proceeds to the Trust of $92,003, net of transaction fees. The Trust also completed two follow-on public offerings of its Units, as described on page 26 of this MD&A. The follow-on offerings provided proceeds to the Trust of $144,474, net of issuance costs. The Trust borrowed $233,715 from its amended credit facility and used cash flows of $332,331 to make principal repayments, $18,554 to make related interest payments and $914 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, $1,348 to pay withholding taxes related to the settlement of vested RUs and paid cash distributions of $28,457 to Unitholders. For the nine months ended September 30, 2022, the Trust generated $149,397 in cash provided by financing activities. The Trust borrowed $220,000 from its amended credit facility and used cash flows of $48,598 to make principal repayments, $1,452 to make related interest payments and $718 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 $17,325 to Unitholders.

For the nine months ended September 30, 2023, the Trust generated $128,447 in cash provided by investing activities primarily related to the proceeds from the sale of its royalty interest in Tzield for $210,000, as described on page 6 of this MD&A. The Trust used cash of $391,186 for the royalty asset transactions, as described on page 6 of this MD&A, and the Vonjo I milestone payment, as described on page 7 of this MD&A. The Trust also used cash of $3,665 to pay for the asset transaction costs. The Trust received repayment of its outstanding loan receivable of $53,140 and cash interest of $3,264 related to this debt, as described on page 23 of this MD&A. For the nine months ended September 30, 2022, the Trust used cash flows of $241,989 in investing activities primarily related to the royalty asset transactions, as described on page 7 of this MD&A. During the same period, the Trust also received cash interest of $3,854 related to the loan receivable.

EQUITY

Authorized equity

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

Units

Each Unit represents a proportionate undivided beneficial ownership interest in the Trust, which entitles the holder to one vote, participation in distributions made by the Trust on a pro rata basis and, in the event of the termination or winding-up of the Trust, in the pro rata share of its net assets remaining after the satisfaction of all its liabilities. Units are discussed in further detail in note 8 to the consolidated financial statements. As at September 30, 2023, 56,318,936 Units (December 31, 2022 – 37,790,395 Units) were outstanding at a cost of $518,045 (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 September 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 settlement of vested 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**
Issuance of Units:			
Units issued on the settlement of vested Restricted Units	35,085	$ 5.80	$ 203
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:			
Follow-on public offering	**18,653,000**	**$ 8.12**	**$ 151,456**
Units issued on the settlement of vested Restricted Units	**201,194**	**$ 8.76**	**$ 1,763**
Unit issuance costs	**n/a**	**n/a**	**$ (6,982)**
Repurchase and cancellation of Units – NCIB	**(325,653)**	**$ 5.43**	**$ (1,769)**
Balance – September 30, 2023	**56,318,936**	**n/a**	**$ 518,045**

Follow-on offering of Units

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

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

Settlement of Vested Restricted Units

During the nine months ended September 30, 2023, the Trust issued 201,194 Units on the settlement of vested RUs, 12,779 of which were granted on September 10, 2021, 8,727 of which were granted on October 8, 2021, 8,805 of which were granted on June 10, 2022, 13,424 of which were granted on September 10, 2022, 16,573 of which were granted on November 22, 2022 and 140,886 of which were granted on August 17, 2023, as described on page 13 of this MD&A.

During the nine months ended September 30, 2022, the Trust issued 64,070 Units on the settlement of vested RUs, 11,019 of which were granted on September 10, 2021 and 53,051 of which were granted on October 8, 2021, as described 13 of this MD&A.

For the period from October 1, 2022 to December 31, 2022, the Trust issued a total of 35,085 Units on the settlement of vested RUs which were granted on November 30, 2021, as described 13 of this MD&A.

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 nine months ended September 30, 2023, the Trust acquired and cancelled 325,653 Units at an average price of $5.43, totaling $1,769. As at September 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.

Subsequent to September 30, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024. In connection with the November 2023 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

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

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 September 30, 2023, no Preferred Units had been issued or were outstanding (December 31, 2022 – nil).

Warrants

In connection with the Private Placement, as described on page 25 of this MD&A, the Trust issued 6,369,180 Warrants to the Private Placement investors. Each 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 September 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 nine months ended September 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**
Q3 2023 – Quarterly cash distribution	September 30, 2023	October 20, 2023	**$**	**0.0750**	**$**	**4,224**
Total			**$**	**0.7584**	**$**	**29,847**

(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 nine months ended September 30, 2023, the board of trustees declared distributions totaling $4,224 and $29,847, respectively (2022 – $2,900 and $8,697, 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 November 13, 2023, the board of trustees declared a quarterly cash distribution of $0.0750 per Unit to Unitholders of record as at December 31, 2023 and payable on January 19, 2024.

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LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Trust's capital was $763,561 (December 31, 2022 – $620,506) and consisted of its Unitholders' capital of $518,045 (December 31, 2022 – $373,577), Preferred Securities of $94,975 (December 31, 2022 – nil), Warrants of $2,229 (December 31, 2022 – nil) and credit facilities of $148,312 (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 $33,150 of cash provided by operating activities during the nine months ended September 30, 2023.

Additionally, the Trust completed the Private Placement on February 8, 2023, as described on page 25 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 amended its credit facility on March 30, 2023, as described on page 24 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.

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.

On September 20, 2023, the Trust completed a second follow-on public offering of its Units. The offering provided gross proceeds to the trust of $77,370 (C$103,730) through the issuance of 9,430,000 Units at $8.20 (C$11.00) per Unit, further increasing the Trust's capital.

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 September 30, 2023, the Trust was in compliance with all externally imposed capital requirements.

Subsequent to September 30, 2023, the Trust further increased the total credit available from its amended credit facility to $500,000, comprised of (i) a $375,000 acquisition credit facility; (ii) a $25,000 working capital credit facility; and (iii) a $100,000 term credit facility, as described on page 24 of this MD&A.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

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 9 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.

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

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

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at September 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 nine months ended September 30, 2023, the Trust recorded management fees to our manager of $1,673 and $18,909, respectively (2022 – $1,322 and $4,477, respectively). Management fees for the nine months ended September 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 nine months ended September 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 were met, and the performance fee was paid on August 15, 2023.

Key management compensation

During the three and nine months ended September 30, 2023 and 2022, the Trust issued compensation to members of the board of trustees, as described on page 14 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. During the three and nine months ended September 30, 2023, the Trust issued 32,730 RUs which vested immediately and were settled, net of withholding taxes, with 15,209 Units issued. To date, the Trust has issued 24,964 Units on the vesting of the RUs, of which 2,584 were issued in 2021, 3,376 were issued in 2022 and 19,004 were issued in 2023. During the three and nine months ended September 30, 2023, the Trust recorded unit-based compensation expense of $340 and $379, respectively (2022 – $21 and $60) 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 the following new accounting policies 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.

Derivative financial instruments and hedge accounting

The Trust uses derivative financial instruments such as interest rate swaps to manage its exposure to interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are used only for economic hedging purposes and not as speculative instruments.

The Trust designates certain derivatives as cash flow hedges. When hedge accounting is applied, the Trust documents at the inception of the hedging transaction, the relationship between the hedging instrument and hedged item as well as its risk management objective and strategy for undertaking various hedge transactions. At hedge inception and on an ongoing basis, the Trust also documents its assessment of whether the derivatives that are used for hedging transactions have been and will continue to be highly effective in offsetting changes in fair values and cash flows of hedged items. All gains and losses related to the effective portion of hedges are recorded in other comprehensive earnings while any ineffectiveness is recognized in net earnings. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive earnings by the application of hedge accounting is recognized in net income over the remaining term of the original hedging relationship when the hedged future cash flows are still expected to occur. If the hedged future cash flows are no longer expected to occur, the amount is immediately reclassified to net earnings.

Derivatives are classified as current when the remaining maturity of the contract is less than 12 months.

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

Credit facility

On October 31, 2023, the Trust increased the total credit available from its amended credit facility to $500,000, comprised of (i) a $375,000 acquisition credit facility; (ii) a $25,000 working capital credit facility; and (iii) a $100,000 term credit facility, as described on page 24 of this MD&A.

Normal course issuer bid

On November 13, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024. In connection with this approval, 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.

2023 fourth quarter distribution declared

On November 13, 2023, the board of trustees declared a quarterly distribution of $0.0750 per Unit to Unitholders of record as at December 31, 2023 and payable on January 19, 2024.