DRI HEALTHCARE TRUST

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders and the Board of Trustees of
DRI Healthcare Trust

Opinion

We have audited the consolidated financial statements of DRI Healthcare Trust (the "Trust"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net earnings and comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Royalty Income – Refer to notes 2(l) and 3 of the financial statements

Key Audit Matter Description

The Trust earns royalty income based on a percentage of sales revenue generated by third parties marketing the pharmaceutical products underlying the royalty agreements. The third parties report and pay actual royalties owed for sales in a given quarter after the conclusion of the quarter based on the terms of the underlying royalty agreements. For some agreements, royalties are reported quarterly and payments are made on a semi-annual or annual basis. At the end of each quarter, the Trust estimates and records in royalties receivable, the royalty income which has been earned for the quarter, but which has not yet been reported by the third parties ("royalty income accrual"). This royalty income accrual is based on the royalty rates in the underlying contracts applied to the estimated sales of the underlying products by each third party.

Estimating the royalty income accrual required management to make significant judgments in respect to the estimated sales of the underlying products by each third party. As a result of the level of estimation uncertainty, auditing the royalty income accrual required a high degree of auditor judgment and an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the estimated sales of the underlying products by each third party used in the royalty income accrual determination included the following, among others:

- Evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts; and
- With the assistance of fair value specialists, evaluated the reasonableness of the forecasted estimated sales of the underlying products by each third party by comparing to historical results, internal communications to management and the board of trustees, and analyst and industry reports and payments received after December 31, 2023, as applicable.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Michael Darroch.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 28, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)		As at December 31, 2023	As at December 31, 2022
Assets			
Cash and cash equivalents		$ 62,835	$ 36,686
Royalties receivable		64,082	27,748
Other current assets		372	469
Current assets		127,289	**64,903**
Royalty assets, net of accumulated amortization	note 6	706,105	518,134
Loan receivable	note 7	—	49,897
Other non-current assets		1,563	485
Non-current assets		707,668	**568,516**
Total assets		$ 834,957	**$ 633,419**
Liabilities			
Accounts payable and accrued liabilities	note 19	$ 5,043	$ 5,542
Distributions payable to Unitholders	note 9	19,230	2,834
Performance fees payable	note 19	5,918	—
Current portion of credit facility	note 8	48,750	34,571
Current portion of unit-based compensation liability	note 11	1,499	509
Other current liabilities		1,241	6,936
Current liabilities		81,681	**50,392**
Credit facility	note 8	96,728	210,417
Preferred securities	note 8	93,250	—
Derivative instruments	note 14	1,089	—
Unit-based compensation liability	note 11	712	269
Total liabilities		273,460	**261,078**
Equity			
Unitholders' capital	note 9	561,503	373,577
Other equity	note 9	2,150	—
Accumulated other comprehensive earnings (loss)		(1,089)	—
Accumulated retained earnings (deficit)		(1,067)	(1,236)
Total equity		561,497	**372,341**
Total liabilities and equity		$ 834,957	**$ 633,419**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET EARNINGS AND COMPREHENSIVE EARNINGS

(in thousands of U.S. dollars except per unit data)		Year ended December 31, 2023	Year ended December 31, 2022
Income			
Royalty income	note 6	$ 158,912	$ 87,273
Interest and other income on loan receivable	note 7	6,506	5,678
Other interest income		861	83
Total income		166,279	93,034
Expenses			
Amortization of royalty assets	note 6	87,076	59,266
Impairment of royalty assets	note 6	9,216	—
Management fees	note 19	22,335	6,532
Performance fees	note 19	24,534	—
Interest expense	note 8	26,503	6,630
Deal investigation and research expenses	note 12	3,941	3,228
Unit-based compensation	note 11	5,079	1,191
Other operating expenses	note 13	5,047	4,589
Total expenses		183,731	81,436
Net gain on sale of royalty assets	note 5	109,756	—
Net earnings		92,304	11,598
Other comprehensive earnings (loss)			
Net unrealized gain (loss) on derivative instruments	note 14	(1,089)	—
Comprehensive earnings		$ 91,215	$ 11,598
Net earnings per Unit			
Basic	note 10	$ 2.08	$ 0.30
Diluted	note 10	$ 2.07	$ 0.30

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)		Unitholders' Capital	Other Equity	Accumulated Other Comprehensive Earnings (Loss)	Accumulated Retained Earnings (Deficit)	Total Equity
Balance – December 31, 2021		**$ 374,034**	**$ —**	**$ —**	**$ 4,951**	**$ 378,985**
Issuance of Units:						
Settlement of vested Restricted Units	note 11	552	—	—	—	552
Repurchase and cancellation of Units	note 9	(7,263)	—	—	—	(7,263)
Cash distributions to Unitholders	note 9	—	—	—	(11,531)	(11,531)
Unit distributions to Unitholders	note 9	6,254	—		(6,254)	—
Net earnings and comprehensive earnings		—	—	—	11,598	11,598
Balance – December 31, 2022		**$ 373,577**	**$ —**	**$ —**	**$ (1,236)**	**$ 372,341**
Issuance of Units:						
Follow-on public offerings	note 9	**151,456**	**—**	**—**	**—**	**151,456**
Settlement of vested Restricted Units	note 11	**2,105**	**—**	**—**	**—**	**2,105**
Unit issuance costs	note 9	**(6,924)**	**—**	**—**	**—**	**(6,924)**
Issuance of Warrants	note 9	**—**	**2,229**	**—**	**—**	**2,229**
Warrant issuance costs	note 9	**—**	**(79)**	**—**	**—**	**(79)**
Repurchase and cancellation of Units	note 9	**(1,769)**	**—**	**—**	**—**	**(1,769)**
Cash distributions to Unitholders	note 9	**—**	**—**	**—**	**(49,077)**	**(49,077)**
Unit distributions to Unitholders	note 9	**43,058**	**—**	**—**	**(43,058)**	**—**
Other comprehensive earnings (loss)	note 14	**—**	**—**	**(1,089)**	**—**	**(1,089)**
Net earnings		**—**	**—**	**—**	**92,304**	**92,304**
Balance – December 31, 2023		**$ 561,503**	**$ 2,150**	**$ (1,089)**	**$ (1,067)**	**$ 561,497**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)			**Year ended December 31, 2023**		Year ended December 31, 2022
Operating Activities					
Net earnings		$	92,304	$	11,598
Adjustment for non-cash items:					
Interest and other income on loan receivable	note 7		(6,506)		(5,678)
Interest expense	note 8		26,503		6,630
Amortization of royalty assets	note 6		87,076		59,266
Impairment of royalty assets	note 6		9,216		—
Unit-based compensation expense	note 11		5,079		1,191
Net gain on sale of royalty assets	note 5		(109,756)		—
			103,916		**73,007**
Changes in non-cash working capital:					
Royalties receivable			(30,991)		3,766
Other current assets			97		597
Other non-current assets			(990)		595
Accounts payable and accrued liabilities			(1,475)		(598)
Performance fees payable	note 19		5,918		—
Other current liabilities			806		102
			(26,635)		4,462
Cash provided by operating activities		$	77,281	**$**	**77,469**
Financing Activities					
Follow-on public offerings	note 9	$	151,456	$	—
Unit issuance costs	note 9		(6,924)		—
Repurchase and cancellation of Units	note 9		(1,769)		(7,263)
Distributions to Unitholders paid in cash	note 9		(32,681)		(20,225)
Drawings from credit facility	note 8		233,715		250,000
Repayment of credit facility	note 8		(332,331)		(48,598)
Cash interest paid, net	note 8		(22,589)		(1,968)
Debt issuance costs paid	note 8		(2,056)		(773)
Issuance of Preferred Securities and Warrants	note 8, 9		95,000		—
Preferred Securities and Warrants issuance costs paid	note 8, 9		(3,250)		—
Cash provided by financing activities		$	78,571	**$**	**171,173**
Investing Activities					
Purchase of royalty assets and other net assets, net of cash	note 5	$	(391,186)	$	(274,500)
Cash transaction costs paid	note 5		(4,921)		(4,555)
Proceeds from sale of royalty assets	note 5		210,000		—
Repayment of loan receivable, gross of fees	note 7		53,140		—
Cash interest received	note 7		3,264		5,387
Cash used in investing activities		$	(129,703)	**$**	**(273,668)**
Increase (decrease) in cash and cash equivalents		$	26,149	$	(25,026)
Cash and cash equivalents, beginning of year			36,686		61,712
Cash and cash equivalents		$	62,835	**$**	**36,686**

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

DRI Healthcare Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust on October 21, 2020, 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 was formed to provide Unitholders with differential exposure to the pharmaceutical and biotechnology industries through ownership and acquisitions of pharmaceutical royalties. DRI Capital Inc. (“**DRI Healthcare**”, “**our manager**” or the “**manager**”) acts as the manager for the Trust pursuant to the terms of a management agreement. In December 2022, DRI Capital Inc. changed its brand name to DRI Healthcare in order to be better aligned with the Trust; its legal name remains unchanged. All references in these consolidated financial statements to DRI Healthcare are to DRI Capital Inc.

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**”.

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

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

These annual audited consolidated financial statements (the “**consolidated financial statements**”) were authorized for issuance by the board of trustees on February 28, 2024.

NOTE 1 | BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and its interpretations adopted by the International Accounting Standards Board (“**IASB**”).

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, adjusted for the revaluation of certain financial assets and liabilities recorded at fair value through net earnings as explained in note 2(e).

(c) Basis of Consolidation

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

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

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

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

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

(d) Functional and Presentation Currency

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

(e) Comparative information

Certain comparative figures have been adjusted to conform with the current year's presentation. In accordance with IAS 1, *Presentation of financial statements*, the deferred unit liability as at December 31, 2022 was reclassified to current from non-current, as described in note 4.

NOTE 2 | MATERIAL ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

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

(b) Royalties Receivable

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

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

(c) Royalty Assets

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

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

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

Amortization of royalty assets

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

Impairment of royalty assets

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

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

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

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

(d) Recognition and Derecognition of Financial Instruments

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

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

(e) Financial Instruments

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

- Financial assets at amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL – it is held in a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets within this category are subsequently measured at amortized cost using the effective interest rate method. A credit loss is recorded in net earnings with an offsetting amount recorded as an allowance against assets recorded at amortized cost on the statement of financial position. When a receivable is deemed permanently uncollectible, the receivable is written off against the allowance account.
- Financial assets at FVTPL: Financial assets not classified as amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Trust may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value, with net gains or losses, including any interest or dividend income, recognized through profit or loss.

Financial liabilities are classified as measured at amortized cost or FVTPL. Once the classification of a financial liability has been determined, reclassification is not permitted.

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

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Trust:

- has a current, legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derivative Instruments and Hedge Accounting

The Trust uses derivative 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 and hedge accounting 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. The Trust also documents its assessment both at hedge inception and on an ongoing basis, 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, ineffectiveness is recognized immediately 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 earnings 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 in net earnings.

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

(f) Fair Value Measurements

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

IFRS 13, *Fair value measurement,* establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Trust. Unobservable inputs are inputs that reflect the Trust's assumptions as to what market participants would use in pricing the asset or liability, based on the best information available in the circumstances. The hierarchy is broken down into three levels, based on the observability of inputs, as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- Level 2: Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

(g) Provisions

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

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

(h) Income Taxes

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

(i) Unitholders' Capital

The Trust has classified its Units as equity pursuant to the provisions of IAS 32, *Financial instruments: Presentation*, on the basis that the Units meet all of the criteria in IAS 32 for such classification. As at December 31, 2023, the Trust did not have any issued or outstanding Preferred Units.

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

(j) 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 the Warrants are shown in other equity as a reduction from the fair value of such Warrants.

(k) Distributions to Unitholders

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

(l) Royalty Income

The Trust earns royalty income based on a percentage of sales revenue generated by third parties marketing the pharmaceutical products underlying the royalty agreements. The third parties report and pay actual royalties owed for sales in a given quarter after the conclusion of the quarter based on the terms of the underlying royalty agreements. For some agreements, royalties are reported quarterly and payments are made on a semi-annual or annual basis.

The Trust estimates royalty income earned for which a report has not been received from third parties by applying the royalty rates and other conditions in the underlying contracts to the estimated sales of the underlying products. Estimating the sales of the underlying products requires management to make significant judgments. When a reasonable estimate of royalty income earned cannot be made, the Trust records royalty income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties.

The Trust's royalty income is a contractual right to revenue streams which are subject to the related underlying patent or exclusivity protection of the pharmaceutical products upon which the royalty agreement is based.

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

(m) Interest Income on Loan Receivable

The Trust records interest income related to its loan receivable using the effective interest method.

(n) Management Fees

DRI Healthcare acts as the manager of the Trust pursuant to a management agreement. Under the management agreement, the Trust is required to pay quarterly management fees to the manager or its affiliates equal to 6.50% of total cash royalty receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter. Security investments consist of (i) the securities (including controlling and non-controlling interests, equity, debt and hybrid securities) of entities in the pharmaceutical, biopharmaceutical, medical or healthcare industry or operating assets thereof (other than royalties); (ii) any securities, investments or contracts that may provide a hedge for the investments referred to in clause (i); and (iii) other assets and investments determined by the manager to be related to the investments referred to in (i) and (ii).

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

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

(o) Performance Fees

DRI Healthcare is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement. Performance fees are structured on a portfolio-by-portfolio basis, with portfolios based on a group of investments made during each consecutive two-year period, to mitigate the risk that performance fees are paid on a profitable investment even though, in the aggregate, the investments made over a two-year period are not profitable, and further to reduce the risk that performance fees are payable at a time when the Trust's portfolio of investments is not performing well overall.

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

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

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

(i) Condition One: Cumulative net economic profit, defined as the difference between the aggregate cash receipts for all new portfolio investments in such portfolio from the date of acquisition less total expenses from the date of acquisition, for such portfolio for all periods prior to the relevant quarterly determination date is positive. Cumulative net economic profit is positive if the aggregate cash receipts for all investments in a portfolio for all prior periods are greater than the total expenses allocated to such portfolio for all prior periods.
(ii) Condition Two: The aggregate projected cash receipts, calculated based on analyst consensus, for all investments in such portfolio, for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected total expenses for all investments in such portfolio through the expected termination dates of all investments in such portfolio.
(iii) Condition Three: The aggregate projected cash receipts, calculated based on analyst consensus, for all investments in all portfolios, for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected total expenses for all such portfolios through the termination or disposition dates of all investments in all such portfolios.

(p) Unit-based Compensation

Unit-based compensation benefits under the Trust’s Omnibus Equity Incentive Plan (“**Incentive Plan**”) are provided to employees of the Trust or its designated affiliates, consultants or board members of the Trust. The Incentive Plan consists of Options, Restricted Units (“**RUs**”), Performance Units (“**PUs**”) and Deferred Units (“**DUs**”). These unit-based compensation plans are accounted for as cash-settled awards as the Trust is an open-ended trust making its Units redeemable, and thus requiring outstanding awards to be recognized as liabilities carried at fair value. The Trust has discretion to settle the Units either in cash or by issuing Units. These unit-based compensation plans are measured at fair value at the grant date and a unit-based compensation expense is recognized consistent with the vesting features of each plan. The liability is adjusted for changes in fair value with a corresponding adjustment to unit-based compensation expense in the period in which they occur. As awards are settled for Trust Units, the liability is reduced and a corresponding increase in equity is recorded.

RUs, PUs and DUs are credited with distribution equivalents in the form of additional RUs, PUs and DUs, respectively, 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. Distributions on RUs, PUs and DUs are treated as an increase in unit-based compensation expense with a corresponding increase in unit-based compensation liability and an increase in the number of awards outstanding, respectively.

The board of trustees may, from time to time, subject to the provisions of the Incentive Plan and such other terms and conditions as the board may prescribe, grant DUs to eligible participants of the Incentive Plan. The board has complete discretion over the terms and conditions of each award. The board may permit trustees, and the trustees may elect at the board’s approval, to receive all or a portion of their annual retainer fees in the form of DUs.

(q) Net earnings per unit

Basic net earnings per unit is calculated by dividing the profit attributable to equity holders by the weighted average number of units outstanding during the period, excluding treasury units, if any.

Diluted net earnings per unit reflects the dilution effect from Options, Warrants, RUs and DUs using the treasury share method. PUs are included in the calculation of diluted earnings per unit only if the associated performance conditions are satisfied at the end of the reporting period as if it were the end of the performance period.

(r) Foreign Currency Translation

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

(s) Acquisitions

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

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

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

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

NOTE 3 | USE OF JUDGMENTS AND ESTIMATES

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

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

Financial statement areas which require critical judgments, assumptions and estimates that could have a material impact on the consolidated financial statements include, but are not limited to:

Royalty income

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

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

Classification of royalty assets

The classification and recognition of royalty assets as intangible assets are based on the judgment that the Trust's contractual rights derived from the assets are subject to successful production and sale of the underlying products by third parties. This judgment is based on the assessment that the Trust does not have contractual rights to force the development and sale of the underlying products, that the Trust does not have the right to royalty payments if the third party fails to sell the underlying products and that there is no certainty as to how much, if or when such sales will occur. As a result, the Trust is exposed to similar rights and risks as it would if it were the holder of the legal rights to the underlying products.

Useful life of royalty assets

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

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

Impairment of royalty assets

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

Acquisitions

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

NOTE 4 | RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Disclosure of Accounting Policies

Amendments to IAS 1, *Presentation of financial statements,* and IFRS Practice Statement 2, *Making materiality judgements,* both effective for periods beginning on or after January 1, 2023, applicable prospectively, require that entities disclose material accounting policy information instead of significant accounting policies. The amendments did not have a material impact on the disclosure of the Trust's accounting policies.

Presentation of Financial Statements

Amendments to IAS 1, *Presentation of financial statements,* effective for periods beginning on or after January 1, 2023, applicable retrospectively in accordance with IAS 8, *Accounting policies and changes in accounting estimates and errors*, clarify that the classification of liabilities as current or non-current should be based on rights that were in existence at the end of the reporting period, and is unaffected by the likelihood of whether the entity will exercise its right to defer the settlement of a liability. Upon adoption of these amendments, the deferred unit liability is shown as a current liability in the statement of financial position as at December 31, 2023 and the comparative liability from December 31, 2022 was reclassified from non-current liabilities to current liabilities.

Accounting Policies, Changes In Accounting Estimates and Errors

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors,* effective for periods beginning on or after January 1, 2023, applicable prospectively for accounting estimates, redefines accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments did not have a material impact on the Trust’s financial assets and liabilities.

NOTE 5 | ASSET TRANSACTIONS

Transactions Completed in 2023

(a) Tzield Transactions

On March 8, 2023, the Trust bought royalties on the sales of Tzield (teplizumab-mzwv) for $100,000. The transaction was funded on March 14, 2023 and entitled the Trust to a single-digit royalty on 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 U.S. Food and Drug Administration (“**FDA**”) in November 2022. Tzield is marketed by Sanofi S.A. (“**Sanofi**”).

The Trust was entitled to receive quarterly royalty payments on a one-quarter lag based on Tzield sales beginning January 1, 2023. The Trust recognized acquired royalties receivable of $96 related to the Trust’s royalty entitlement accrued from January 1, 2023 to March 8, 2023, the date of the royalty transaction. Transaction costs of $712 were capitalized as part of the royalty transaction.

On April 27, 2023, the Trust sold its royalty interest in the worldwide net sales of Tzield to a subsidiary of Sanofi for $210,000. Pursuant to the terms of the agreement, the Trust assigned to Sanofi its obligation to pay up to $100,000 in milestone payments to the extent the pre-specified events and thresholds are met. The Trust declared a special cash distribution of $20,000 using the proceeds from this transaction to Unitholders of record as of June 30, 2023, as described in note 9. In addition, the Trust used a portion of the sale proceeds to pay down the balance outstanding under the Trust’s revolving acquisition credit facility on May 2, 2023, as described in note 8.

(b) Additional Empaveli/Syfovre Royalty Stream

On April 3, 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for $3,700. The transaction entitles the Trust to an additional fractional percentage of worldwide net sales of pegcetacoplan. The Trust is 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. The cash royalty receipts generated from July 1, 2022 to September 30, 2022 totaled $14 and were applied as a reduction in the total cash consideration transferred in the transaction. The Trust recognized acquired royalties receivable of $72 related to the Trust’s royalty entitlement accrued from October 1, 2022 to April 3, 2023, the date of the royalty transaction. Transaction costs of $254 were capitalized as part of the royalty transaction.

The Trust’s royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction. In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to an additional payment of $4,000 if worldwide net sales exceed certain thresholds within a predefined period of time.

(c) Orserdu Transaction

On June 29, 2023, the Trust bought royalties on the sales of Orserdu for $85,000 ("**Orserdu I**"). The transaction entitles the Trust to a mid-single digit tiered royalty on the worldwide net sales of Orserdu. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. The Trust received its first payment in the third quarter of 2023. The Trust recognized acquired royalties receivable of $3,415 related to the Trust's 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 $975 were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, the Trust is also entitled to receive up to $55,000 in milestone royalty payments based on the achievement of regulatory approvals and sales performance thresholds. Orserdu was approved for the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy by the FDA in January 2023 and by the European Medicines Agency ("**EMA**") in September 2023. The approval of Orserdu by the EMA triggered milestone royalty income of $2,750, which was recognized in royalty income during the third quarter of 2023 and was received in the fourth quarter of 2023. For the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of $3,367, which was recognized in royalty income in the fourth quarter of 2023, $1,263 of which was received by the Trust in the fourth quarter of 2023 and $2,104 of which is expected to be received in the first quarter of 2024. Therefore, for the year ended December 31, 2023, the Trust recognized $6,117 in milestone royalty income and $2,104 in milestone royalties receivable for Orserdu I. Orserdu was discovered by Eisai Co., Ltd. and is marketed by Menarini Group ("**Menarini**").

(d) Additional Vonjo Royalty Stream

On July 7, 2023, the Trust bought an additional royalty stream on Vonjo for $66,000 ("**Vonjo II**"). This royalty is in addition to our existing Vonjo royalty acquired in 2022, as described in the Vonjo Transaction section below. The transaction was funded on July 25, 2023 and entitles the Trust to a tiered royalty on worldwide net sales of Vonjo. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. The Trust received its first payment in the third quarter of 2023. The Trust recognized acquired royalties receivable of $557 related to the Trust's royalty entitlement accrued from April 1, 2023 to July 25, 2023, the date of the royalty transaction. Transaction costs of $951 were capitalized as part of the royalty asset acquired.

In accordance with the royalty agreement, the Trust is also entitled to receive up to $107,500 in milestone royalty payments. During the year ended December 31, 2023, Vonjo sales exceeded certain sales thresholds that triggered milestone royalty income of $5,000, which was recognized in royalty income in the fourth quarter of 2023 and received in the first quarter of 2024.

(e) Additional Orserdu Royalty Stream

On August 14, 2023, the Trust bought an additional royalty stream on Orserdu for $130,000 ("**Orserdu II**"). This royalty is in addition to our existing Orserdu royalty acquired on June 29, 2023. The transaction entitles the Trust to a net low to high single digit tiered royalty on the worldwide net sales of Orserdu. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2023, with the first payment received in the fourth quarter of 2023. The Trust recognized acquired royalties receivable of $1,299 related to the Trust's royalty entitlement accrued from July 1, 2023 to August 14, 2023, the date of the royalty transaction. Transaction costs of $1,574 were capitalized as part of the royalty asset acquired. Upon the occurrence of pre-specified events, the Trust is obligated to pay a $10,000 milestone to the royalty seller.

In accordance with the royalty agreement, the Trust is also entitled to receive up to $40,000 in milestone royalty payments on the achievement of sales performance thresholds. For the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of $30,303, which was recognized in royalty income in the fourth quarter of 2023, $11,364 of which was received by the Trust in the fourth quarter of 2023 and $18,939 of which is expected to be received in the first quarter of 2024.

Summary of Transactions Completed in 2023

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

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

(i) On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield, as described above. The net book value of the royalty asset was $99,450 at the time of the sale, as described in note 6. Acquired royalties receivable of $96 were reversed as the entitlement to the royalty income was sold.

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

Omidria Royalty Amendment

Subsequent to December 31, 2023, the Trust expanded its interest in royalties on the U.S. net sales of Omidria for $115,000 by amending the existing Omidria royalty agreement entered into in 2022, as described in the Omidria Transaction section below. As a result of the amendment, the Trust will now be entitled to receive a 30% royalty on U.S. net sales of Omidria, until December 31, 2031, and all previously agreed-upon annual royalty caps have been eliminated. As part of the amendment, the Trust is no longer entitled to ex-U.S. royalties. In accordance with the terms of the amended royalty agreement, the royalty seller may also be entitled to additional considerations of up to $55,000 in the event that Omidria sales exceed certain thresholds within a predefined period of time.

Transactions Completed in 2022

(a) Vonjo Transaction

On August 25, 2021, concurrent with the agreement to provide a $50,000 secured loan to CTI BioPharma Corp. ("**CTI**"), as described in note 7, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the FDA, for $60,000 ("**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 for $60,000, which occurred on March 7, 2022. Transaction costs of $632 were capitalized as part of the royalty asset acquired.

In accordance with the terms of the royalty agreement, CTI was entitled to additional consideration of $6,500 in the event that Vonjo sales exceed certain thresholds on or before March 31, 2023 ("**Net Sales Threshold I**") and an additional $18,500 in the event that Vonjo sales exceed certain thresholds on or before September 30, 2023 ("**Net Sales Threshold II**"). In January 2023, CTI confirmed that Vonjo sales exceeded Net Sales Threshold I. Accordingly, the Trust recognized a royalty asset of $6,500 and funded the milestone payment on January 25, 2023. The conditions for Net Sales Threshold II were not met as at September 30, 2023, and no additional milestone payment was made.

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

(b) Empaveli/Syfovre Transaction

On July 20, 2022, the Trust bought royalties on the sales of Empaveli/Syfovre (pegcetacoplan) for $24,500. The transaction entitles the Trust to a less than 1.0% royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of $500,000 in each calendar year. The Trust will not be entitled to any royalty above the cap. As part of the transaction, the Trust had an option to increase the annual sales cap to $1.1 billion in exchange for a one-time payment of $21,000. The Trust did not exercise this option prior to its expiry in June 2023. The Trust is 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. The Trust received its first payment in the fourth quarter of 2022. The Trust's royalty entitlement will step down upon the expiry of the relevant patents in each jurisdiction.

The Trust recognized royalty assets of $23,646 related to Empaveli/Syfovre and other current assets of $500 related to the option to increase the annual sales cap. The Trust 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. The Trust recognized acquired royalties receivable of $354 related to the Trust's royalty entitlement accrued from January 1, 2022 to July 20, 2022, the date of the royalty transaction. Transaction costs of $788 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 United States by Apellis Pharmaceuticals Inc. ("**Apellis**") and outside the United States, including the EU, by Swedish Orphan Biovitrum AB ("**Sobi**"), where it is marketed under the brand name Aspaveli.

On February 17, 2023, the FDA further approved pegcetacoplan as a treatment for geographic atrophy secondary to age-related macular degeneration. The treatment is marketed in the United States by Apellis under the brand name Syfovre. The Trust's royalty entitlement on Syfovre is consistent with that of Empaveli, as described above.

(c) Zejula Transaction

On September 9, 2022, the Trust bought royalties on the sales of Zejula for $35,000. The transaction entitles the Trust to a net 0.5% royalty on worldwide net sales of Zejula by GSK plc. The Trust is entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning July 1, 2022, and received its first payment in the fourth quarter of 2022. Acquired royalties receivable of $594 are related to the Trust's royalty entitlement from July 1, 2022 to September 9, 2022, the date of the royalty transaction. Transaction costs of $566 were capitalized as part of the royalty asset acquired.

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

(d) Omidria Transaction

On September 30, 2022, the Trust bought royalties on the sales of Omidria for $125,000. In accordance with the terms of the royalty agreement, the Trust is 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:

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

The Trust recognized acquired royalties receivable of $418 related to the Trust's royalty entitlement accrued from September 1, 2022 to September 30, 2022, the date of the royalty transaction. Transaction costs of $1,116 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.

(e) Xenpozyme Transaction

On November 25, 2022, the Trust bought royalties on the sales of Xenpozyme for $30,000. The transaction entitles the Trust to royalties equal to approximately 1.0% of worldwide net sales of Xenpozyme. The Trust is 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, the Trust expects to receive its royalty payment in the fourth quarter of that year. For sales made in the third and fourth quarters of the year, the Trust expects to receive its royalty payment in the second quarter of the following year. The Trust 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 was received in the fourth quarter of 2023. Transaction costs of $1,506 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 $26,500 in the event that cumulative royalties received by the Trust on Xenpozyme sales exceed certain thresholds within a predefined period of time.

Xenpozyme is 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. 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**

NOTE 6 | ROYALTY ASSETS

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

	Cost	Accumulated Amortization and Impairment	Net Book Value
As at January 1, 2022	**$ 335,495**	**$ (41,837)**	**$ 293,658**
Additions(i)	283,742	—	283,742
Amortization	—	(59,266)	(59,266)
Dispositions(ii)	(1,956)	1,956	—
As at December 31, 2022	**617,281**	**(99,147)**	**518,134**
Additions(iii)	**383,713**	**—**	**383,713**
Amortization	**—**	**(87,076)**	**(87,076)**
Impairment(iv)	**—**	**(9,216)**	**(9,216)**
Dispositions(v),(vi)	**(107,934)**	**8,484**	**(99,450)**
As at December 31, 2023	**$ 893,060**	**$ (186,955)**	**$ 706,105**

(i) Includes capitalized transaction costs of $632 related to the Vonjo Transaction, $788 related to the Empaveli/Syfovre Transaction, $566 related to the Zejula Transaction, $1,116 related to the Omidria Transaction and $1,506 related to the Xenpozyme Transaction as described in note 5.
(ii) The Trust wrote off the royalty assets and related accumulated amortization held by ROC Royalties S.à r.l. as part of the entity's dissolution on June 22, 2022. The net book value of the royalty assets was nil at the time of dissolution.
(iii) Includes capitalized transaction costs of $712 related to the Tzield Transaction, $254 related to the additional Empaveli/Syfovre stream, $975 related to the Orserdu I Transaction, $951 related to the Vonjo II Transaction and $1,574 related to the Orserdu II Transaction, as described in note 5.
(iv) The Trust recognized an impairment loss of $9,216 related to the Natpara royalty asset, as described below.
(v) The Trust wrote off the cost and related accumulated amortization of $7,318 and $7,318, respectively, related to the FluMist royalty asset, which was fully amortized during the year as the royalty arrangement had expired during the year ended December 31, 2023.
(vi) The Trust sold its royalty interest in the worldwide sales of Tzield on April 27, 2023, as described in note 5. The net book value of the royalty asset was $99,450 at the time of the sale.

As at December 31, 2023, the net book value of our royalty assets was $706,105 (2022 – $518,134), net of accumulated amortization and impairment of $186,955 (2022 – $99,147). During the year ended December 31, 2023, the Trust recorded additions to the cost of its royalty assets totaling $383,713 (2022 – $283,742) related to the royalty transactions as described in note 5. The Trust also wrote off the cost and related accumulated amortization of $7,318 and $7,318, respectively, related to the fully amortized FluMist royalty asset as the royalty arrangement had expired during the year ended December 31, 2023. In 2022, the Trust wrote off the cost and related accumulated amortization of $1,956 and $1,956, respectively, related to the fully amortized royalty assets as part of the dissolution of ROC Royalties S.à r.l. There was no change to the net book value of the royalty assets as a result of these write offs. In addition, the Trust recorded a disposition to the cost of its royalty assets of $100,616 and related accumulated amortization of $1,166 related to the Tzield royalty sale, as described in note 5, during the year.

On October 4, 2022, Takeda Pharmaceutical Company Ltd. ("**Takeda**") announced that it will discontinue manufacturing the pharmaceutical Natpara globally at the end of 2024 due to unresolved manufacturing issues related to protein and rubber particle formation. As a result, Takeda does not intend to re-commercialize Natpara in the United States. Beyond 2024, Takeda intends to supply available doses of Natpara to Europe and other regions around the world until the inventory of Natpara is depleted or expired.

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

The announcement from Takeda and the filing of a legal complaint represent indicators of potential impairment that require the Trust to determine the recoverable amount of Natpara to assess if the asset is impaired. The Trust calculated the recoverable amount for Natpara at December 31, 2023 using a discounted cash flow model based on the forecasted royalties on remaining future cash flows, as the Trust continues to earn royalty income on European and rest of the world sales and expects that this will continue past Takeda's planned end of manufacturing at the end of 2024 to account for residual inventory depletion. Key assumptions and sources of estimation uncertainty relate to future cash flows, including future sales of Natpara. Based on the Trust's analysis, the net book value of Natpara was higher than the recoverable amount, and the Trust recognized an impairment of the Natpara royalty asset of $9,216 as at December 31, 2023. The net book value of Natpara as at December 31, 2023 is $2,419 (2022 – $19,399), which represents the recoverable amount.

The following table presents details about the products underlying the Trust's royalty assets as at December 31, 2023:

Royalty Asset	Therapeutic Area	Primary Marketer(s)	Acquisition Quarter	Expected Royalty Expiry(i)
Empaveli/Syfovre(ii),(iii)	Hematology/Ophthalmology	Apellis, Sobi	Q3 2022	Q4 2033
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	Q1 2021	Q1 2027
FluMist	Influenza	AstraZeneca	Q1 2021	Q4 2023
Natpara	Endocrinology	Takeda	Q1 2021	Q3 2025
Omidria	Ophthalmology	Rayner Surgical	Q3 2022	Q4 2030
Oracea	Dermatology	Galderma	Q3 2021	Q1 2028
Orserdu I	Oncology	Menarini	Q2 2023	Q1 2035
Orserdu II	Oncology	Menarini	Q3 2023	Q1 2035
Rydapt	Oncology	Novartis	Q1 2021	Q1 2028
Spinraza	Neurology	Biogen	Q1 2021	Q3 2031
Stelara, Simponi and Ilaris(iv)	Immunology	Johnson & Johnson, Merck, Mitsubishi Tanabe, Novartis	Q1 2021	Q1 2025
Vonjo I	Hematology	Sobi	Q1 2022	Q2 2034
Vonjo II	Hematology	Sobi	Q3 2023	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	Q4 2022	Q4 2036
Xolair	Immunology	Roche, Novartis	Q1 2021	Q2 2032
Zejula	Oncology	GSK	Q3 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	Q1 2021	Q2 2028
Other Products(v)	Various	Various	Various	n/a

(i) Represents the quarter during which the final royalty payment is expected and is based on our manager's estimates of patent expiry dates in key geographies, 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 in note 5.

(iii) Empaveli/Syfovre includes two royalty streams on each product held directly. In Q2 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre, as described in note 5. The expected royalty expiry is consistent with the Empaveli/Syfovre royalty stream bought in Q3 2022.

(iv) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

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

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

	Royalty Income		Net Book Value	
Royalty Asset	Year ended December 31, 2023	Year ended December 31, 2022	As at December 31, 2023	As at December 31, 2022
Empaveli/Syfovre[(i)]	$ 3,201	$ 234	$ 24,770	$ 23,437
Eylea I	5,455	5,563	11,376	15,164
Eylea II	1,201	5,778	5,909	7,877
FluMist	979	2,180	—	2,096
Natpara	2,478	2,564	2,419	19,399
Omidria	14,167	3,419	106,245	121,782
Oracea	9,199	7,702	25,718	32,144
Orserdu I[(ii),(iii)]	16,690	—	78,917	—
Orserdu II[(ii),(iv)]	36,760	—	125,918	—
Rydapt	8,891	9,989	7,120	8,899
Spinraza	16,880	15,536	76,402	86,587
Stelara, Simponi and Ilaris[(v),(vi)]	1,185	3,231	1,920	3,871
Vonjo I	11,012	5,179	57,290	62,876
Vonjo II[(ii),(vii)]	6,086	—	63,689	—
Xenpozyme	837	—	28,933	31,293
Xolair	9,875	9,615	42,127	47,389
Zejula	3,196	919	30,660	33,973
Zytiga	8,835	12,599	14,578	18,465
Other Products[(viii)]	1,985	2,765	2,114	2,882
Total	**$ 158,912**	**$ 87,273**	**$ 706,105**	**$ 518,134**

(i) Empaveli/Syfovre includes two royalty streams on each product held directly.
(ii) The Trust recorded no royalty income related to Orserdu I, Orserdu II or Vonjo II prior to December 31, 2022 as the Trust obtained control over the royalty assets in 2023, as described in note 5.
(iii) Royalty income for Orserdu I for the year ended December 31, 2023 includes $6,117 in milestone royalty income.
(iv) Royalty income for Orserdu II for the year ended December 31, 2023 includes $30,303 in milestone royalty income.
(v) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
(vi) 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 $334 were used to reduce the obligation during the year ended December 31, 2022. There is no remaining obligation as at December 31, 2023 (2022 – nil) related to the past overpayments of Ilaris.
(vii) Royalty income for Vonjo II for the year ended December 31, 2023 includes $5,000 in milestone royalty income.
(viii) 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.

Royalty Income

Royalty income for the year ended December 31, 2023 was $158,912 (2022 – $87,273). The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets. For the year ended December 31, 2023, the Trust recorded royalty income earned related to Orserdu I, Orserdu II and Vonjo II, which were added to the portfolio subsequent to December 31, 2022, and Xenpozyme for which the Trust began earning royalty income in 2023. For the year ended December 31, 2023, the Trust also recorded milestone royalty income of $6,117 for Orserdu I upon the achievement of the EMA approval and certain sales performance thresholds, $30,303 for Orserdu II upon the achievement of certain sales performance thresholds and $5,000 for Vonjo II upon the achievement of certain sales performance thresholds, as described in note 5. Royalty entitlement rights related to Stelara, Simponi and Ilaris continued to expire in major geographic areas throughout 2022 and 2023 in accordance with the terms of the royalty agreements.

Net Book Value

During the year ended December 31, 2023, the Trust recorded additions to the cost of its royalty assets totaling $383,713 (2022 – $283,742) related to the royalty transactions, as described in note 5.

During the year ended December 31, 2023, the Trust recorded amortization expense of $87,076 (2022 – $59,266). The Trust records amortization related to royalty assets from the date on which the Trust obtains control of those assets. During the year ended December 31, 2023, the Trust recorded amortization related to Orserdu I, Orserdu II, and Vonjo II, which were acquired subsequent to December 31, 2022. During the year ended December 31, 2023, the Trust fully amortized FluMist, resulting in a net book value of nil (2022 – $2,096).

During the year ended December 31, 2023, the Trust recognized an impairment loss of $9,216 (2022 – nil) related to the Natpara royalty asset. The impairment loss is recognized in the consolidated statements of net earnings and comprehensive earnings. The recoverable amount of Natpara is $2,419 and is based on a value in use calculation. The Trust determined the recoverable amount of the asset using a discounted cash flow model based on forecasted royalties and a discount rate of 8%. The carrying value of Natpara prior to the recognition of the impairment loss exceeded the recoverable amount, and as a result the difference of $9,216 was recorded as an impairment loss.

NOTE 7 | LOAN RECEIVABLE

On August 25, 2021, concurrent with the agreement regarding the tiered royalty on Vonjo, as described in note 5, the Trust provided CTI $50,000 in secured debt, the proceeds of which were used by CTI to partially fund the commercialization of Vonjo.

On June 26, 2023, CTI prepaid all amounts outstanding under the loan agreement, resulting in a prepayment of $54,771, which included $50,000 for the principal balance outstanding, $1,000 for exit fees, $1,631 for accrued interest and $2,140 for prepayment premiums. The loan prepayment was driven by Sobi's acquisition of CTI. As a result of the prepayment, the loan agreement between the Trust and CTI was terminated. The Trust maintains its royalty investment in Vonjo pursuant to the purchase and sale agreement, as described in note 5.

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. Interest payments were due quarterly and the principal amount of the loan was due on maturity. The Trust was also entitled to receive an exit fee of 2.00% on the principal balance repaid. A commitment fee of $500 was received by the Trust and was recorded as a reduction in the gross principal amount receivable.

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

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

	Year ended December 31, 2023	Year ended December 31, 2022
Interest on principal loan receivable	$ 3,264	$ 5,387
Amortization of commitment fee	368	97
Accretion of exit fee received	734	194
Premiums for prepayment	2,140	—
Interest and other income on loan receivable	**$ 6,506**	**$ 5,678**

NOTE 8 | CREDIT FACILITY AND PREFERRED SECURITIES

Credit Facility

On October 22, 2021, the Trust entered into the credit agreement (the "**credit agreement**") for credit facilities comprised of (i) a $175,000 senior secured revolving acquisition credit facility ("**acquisition credit facility**") with the initial amounts drawn used to repay the balance of the previously outstanding secured notes and the remaining capacity to be used for financing future transactions; and (ii) a $25,000 senior secured revolving working capital credit facility ("**working capital credit facility**", together with the acquisition credit facility, the "**credit facility**"), the proceeds from which are 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 (the "**amended credit agreement**"), as amended from time to time, that added a new tranche to the credit facility consisting of a $150,000 delayed draw term loan ("**term credit facility**"), which can be drawn against to fund future transactions. As part of the first amendment, the interest rate for new drawings on the amended credit facility was revised from LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio to Secured Overnight Financing Rate ("**SOFR**") plus (i) a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing.

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 to $88,750 under the term credit facility, and to adjust certain financial covenants to provide greater flexibility (as further amended from time to time, the "**amended credit facility**"). The interest rate on the amended credit facility was also revised to SOFR plus (i) a margin which may vary from 2.00% to 2.75% based on the Trust's leverage ratio; and (ii) a margin of 0.10% to 0.25% based on the term of the borrowing. The range of standby fees was revised to 0.40% to 0.55% based on the Trust's leverage ratio. The maturity date of the amended credit facility was also extended to March 30, 2026 from the original maturity date of October 22, 2024.

On October 31, 2023, the Trust further amended its amended credit agreement to increase 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 Trust also extended the maturity date of the amended credit facility from March 30, 2026 to October 31, 2026, which 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.

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 December 31, 2023 (2022 – nil).

During the years ended December 31, 2023 and 2022, the Trust drew on its amended credit facility to fund royalty transactions, as described in note 5. The details of the draws are presented below:

	Draw Date	Facility		Amount
2023				
Tzield[(i)]	March 6, 2023	Acquisition credit facility	$	70,000
Empaveli/Syfovre	April 3, 2023	Acquisition credit facility		3,715
Orserdu I	June 28, 2023	Acquisition credit facility		85,000
Orserdu II[(i)]	August 10, 2023	Acquisition credit facility		75,000
Total			**$**	**233,715**
2022				
Vonjo	March 7, 2022	Acquisition credit facility	$	60,000
Zejula	September 9, 2022	Term credit facility		35,000
Omidria	September 28, 2022	Term credit facility		115,000
Omidria	September 28, 2022	Acquisition credit facility		10,000
Xenpozyme	November 25, 2022	Acquisition credit facility		30,000
Total			**$**	**250,000**

(i) The Tzield and Orserdu II Transactions were partially funded by the Trust's existing cash and cash flows.

During the year ended December 31, 2023, the Trust made regular principal repayments related to its amended credit facility of $37,909 (2022 – $18,072). During the year ended December 31, 2023, the Trust made total credit facility repayments of $332,331 (2022 – $48,598), including voluntary principal repayments of $294,422 (2022 – $30,526), using the proceeds from the issuance of the Preferred Securities, as described below, and the proceeds from the sale of the royalty interest in Tzield, as described in note 5.

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

	As at December 31, 2023						As at December 31, 2022	
		Total Available Credit		Remaining Available Credit		Balance Outstanding		Balance Outstanding
Acquisition credit facility	$	375,000	$	304,188	$	70,812	$	102,554
Working capital credit facility		25,000		25,000		—		—
Term credit facility		100,000		—		77,500		144,375
	$	500,000	$	329,188	$	148,312	**$**	**246,929**
Deferred transaction costs, net of amortization		n/a		n/a		(2,834)		(1,941)
Total	$	500,000	$	329,188	$	145,478	**$**	**244,988**
Current portion of credit facility					$	48,750	$	34,571
Long-term portion of credit facility						96,728		210,417
Total					$	145,478	**$**	**244,988**

Subsequent to December 31, 2023, The Trust drew $115,000 from the acquisition credit facility to fund the amendment to the Omidria royalty agreement, as described in note 5. The Trust also made a regular principal repayment of $9,750 on January 4, 2024, of which $5,156 is related to the acquisition credit facility and $4,594 is related to the term credit facility, which is not revolving. As a result, the total available credit under the amended credit facility is $219,344 as at February 28, 2024.

The following table presents expected principal repayments to be made until the maturity of the amended credit facility as at December 31, 2023:

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

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 December 31, 2023, the Trust was in compliance with all covenant requirements under the amended credit agreement.

Interest Rate Swap

During the year ended December 31, 2023, the Trust entered into an interest rate swap agreement to fix the interest rate on a notional amount of $100,000 of the amended credit facility, as described in note 14. The interest earned on the interest rate swap partially offsets the interest payable on the amended credit facility. During the year ended December 31, 2023, the Trust recorded total interest earned on the interest rate swap of $192 (2022 – nil).

Preferred Securities

On February 8, 2023, the Trust 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 the Trust's amended credit facility. The Private Placement 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 (collectively, the "**Preferred Securities**") and the issuance of 6,369,180 warrants (the "**Warrants**"). The Warrants are further described in note 9. 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 $3,171 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 December 31, 2023		As at December 31, 2022
Series A	$	**79,377**	$	—
Series B		**16,510**		—
	$	**95,887**	**$**	**—**
Deferred transaction costs, net of amortization		**(2,637)**		—
Total	$	**93,250**	**$**	**—**

The summary of interest expense for the years ended December 31, 2023 and 2022 is presented below:

		Year ended December 31, 2023		Year ended December 31, 2022
Interest on credit facility net borrowings	$	**13,703**	$	5,386
Standby fees		**852**		807
Amortization of deferred transaction costs		**1,251**		437
Interest earned on interest rate swap		**(192)**		—
Total interest expense on credit facilities	$	**15,614**	**$**	**6,630**
Interest on Preferred Securities	$	**7,238**	$	—
Accretion of par value		**3,117**		—
Amortization of deferred transaction costs		**534**		—
Total interest expense on Preferred Securities	$	**10,889**	**$**	**—**
Total interest expense	$	**26,503**	**$**	**6,630**

NOTE 9 | EQUITY

Authorized Equity

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

(i) Units

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

The following table outlines the changes in the number of Units outstanding from December 31, 2021 to December 31, 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	99,155	$ 5.57	$ 552
Repurchase and cancellation of Units – NCIB	(1,388,440)	$ 5.23	$ (7,263)
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 offerings	**18,653,000**	**$ 8.12**	**$ 151,456**
Units issued on the settlement of vested Restricted Units	**240,498**	**$ 8.75**	**$ 2,105**
Unit issuance costs	**n/a**	**n/a**	**$ (6,924)**
Repurchase and cancellation of Units – NCIB	**(325,653)**	**$ 5.43**	**$ (1,769)**
Unit distributions to Unitholders	**4,651,782**	**$ 9.26**	**$ 43,058**
Consolidation of Units	**(4,651,782)**	**n/a**	**n/a**
Balance – December 31, 2023	**56,358,240**	**n/a**	**$ 561,503**

Follow-on offerings of Units

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

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

Settlement of vested Restricted Units

The following table outlines the Units issued upon settlement of vested RUs during the years ended December 31, 2023 and 2022:

	Units Issued on Settlement of Restricted Units	
	December 31, 2023	December 31, 2022
Restricted Units Grant Date:		
September 10, 2021	**12,779**	11,019
October 8, 2021	**8,727**	53,051
November 30, 2021	**39,304**	35,085
June 10, 2022	**8,805**	—
September 10, 2022	**13,424**	—
November 22, 2022	**16,573**	—
August 17, 2023	**140,886**	—
Total	**240,498**	**99,155**

Normal course issuer bid ("NCIB")

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 ("**September 2021 NCIB**"). In connection with the September 2021 NCIB, the Trust established an automated unit repurchase plan ("**AUPP**") whereby Units of the Trust may be repurchased at the discretion of a 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 ("**November 2022 NCIB**"). In connection with the November 2022 NCIB, the Trust established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

On November 13, 2023, the Trust was granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024 ("**November 2023 NCIB**" and, together with the September 2021 NCIB and November 2022 NCIB, the "**NCIB Plans**"). 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.

During the year ended December 31, 2023, the Trust acquired and cancelled 325,653 Units at an average price of $5.43, totaling $1,769. As at December 31, 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 Plans.

(ii) Preferred Units

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

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

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

(iii) Warrants

In connection with the Private Placement, 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 $79 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 December 31, 2023, the net value of the Warrants recognized in other equity is $2,150 (2022 – nil).

Distributions

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

The following table presents cash and Unit distributions made by the Trust during the years ended December 31, 2023 and 2022:

	Record Date	Payment Date		Distribution per Unit		Total Distribution
2023						
Q1 2023 – Quarterly cash distribution	March 31, 2023	April 20, 2023	$	**0.0750**	$	**2,811**
Q2 2023 – Quarterly cash distribution	June 30, 2023	July 20, 2023	$	**0.0750**	$	**2,812**
Q2 2023 – Special cash distribution(i)	June 30, 2023	July 20, 2023	$	**0.5334**	$	**20,000**
Q3 2023 – Quarterly cash distribution	September 30, 2023	October 20, 2023	$	**0.0750**	$	**4,224**
Q4 2023 – Quarterly cash distribution	December 31, 2023	January 19, 2024	$	**0.0750**	$	**4,227**
Q4 2023 – Special cash distribution(ii)	December 31, 2023	January 19, 2024	$	**0.2662**	$	**15,003**
Q4 2023 – Unit distribution(iii)	December 31, 2023	n/a	$	**0.7640**	$	**43,058**
Total			**$**	**1.8636**	**$**	**92,135**
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(iv)	December 31, 2022	n/a	$	0.1655	$	6,254
Total			**$**	**0.4655**	**$**	**17,785**

(i) On April 27, 2023, the board of trustees declared a special cash distribution totaling $20,000 to Unitholders of record as at June 30, 2023, which was paid on July 20, 2023.
(ii) On December 20, 2023, the board of trustees declared a special cash distribution totaling $15,003 to Unitholders of record as at December 31, 2023, which was paid on January 19, 2024.
(iii) On December 20, 2023, the board of trustees declared a special Unit distribution of $0.7640 per Unit, totaling $43,058 to Unitholders of record as at December 31, 2023, which was issued on December 31, 2023. Immediately following the special Unit distribution, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.
(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. Immediately following the special Unit distribution, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.

During the year ended December 31, 2023, the board of trustees declared distributions totaling $92,135, comprised of cash distributions of $49,077 and a Unit distribution of $43,058. 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 February 28, 2024, the board of trustees declared a quarterly cash distribution of $0.0850 per Unit to Unitholders of record as at March 31, 2024 and payable on April 19, 2024.

NOTE 10 | NET EARNINGS PER UNIT

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

	Year ended December 31, 2023	Year ended December 31, 2022
Basic	**44,479,802 Units**	38,570,499 Units
Diluted	**44,622,811 Units**	38,591,392 Units

NOTE 11 | UNIT-BASED COMPENSATION

The Trust provides unit-based compensation under its Incentive Plan, as described in note 2(p). The total number of Units authorized to be issued under the Omnibus Equity Incentive Plan is the lower of (i) 4,101,741; and (ii) 10% of the total outstanding Units of the Trust.

For the year ended December 31, 2023, the unit-based compensation expense was $5,079 (2022 – $1,191) and was comprised of RU grants, net of RU forfeitures during the year.

The following table provides the details of RU grants for the years ended December 31, 2023 and 2022:

	Total Units January 1, 2022	Units Granted	Distribution Equivalent Units Granted(i)	Vesting of Restricted Units	Forfeited Units	Total Units December 31, 2022
Restricted Units Grant Date:						
September 10, 2021(ii)	124,717	—	4,082	(29,970)	(44,794)	54,035
October 8, 2021(iii)	52,842	—	2,040	(17,823)	—	37,059
October 8, 2021(iv)	105,684	—	839	(35,228)	(71,295)	—
November 30, 2021(ii)	158,526	—	7,514	(54,864)	—	111,176
June 10, 2022(ii)	—	41,028	1,624	—	—	42,652
September 10, 2022(ii)	—	60,000	1,551	—	—	61,551
November 22, 2022(v)	—	62,500	824	—	—	63,324
November 22, 2022(vi)	—	22,500	297	—	—	22,797
Balance	**441,769**	**186,028**	**18,771**	**(137,885)**	**(116,089)**	**392,594**

	Total Units January 1, 2023	Units Granted	Distribution Equivalent Units Granted(i)	Vesting of Restricted Units	Forfeited Units	Total Units December 31, 2023
Restricted Units Grant Date:						
September 10, 2021(ii)	**54,035**	**—**	**6,082**	**(26,542)**	**(5,819)**	**27,756**
October 8, 2021(iii)	**37,059**	**—**	**505**	**(18,782)**	**(18,782)**	**—**
November 30, 2021(ii)	**111,176**	**—**	**14,011**	**(61,488)**	**—**	**63,699**
June 10, 2022(ii)	**42,652**	**—**	**4,320**	**(14,340)**	**(212)**	**32,420**
September 10, 2022(ii)	**61,551**	**—**	**7,778**	**(20,608)**	**(5,620)**	**43,101**
November 22, 2022(v)	**63,324**	**—**	**6,159**	**(21,108)**	**—**	**48,375**
November 22, 2022(vi)	**22,797**	**—**	**2,944**	**(8,326)**	**—**	**17,415**
August 17, 2023(vii)	**—**	**235,278**	**—**	**(235,278)**	**—**	**—**
August 17, 2023(vi)	**—**	**16,000**	**488**	**(5,333)**	**—**	**11,155**
October 25, 2023(viii)	**—**	**85,816**	**3,082**	**—**	**—**	**88,898**
December 21, 2023(ix)	**—**	**15,000**	**539**	**—**	**—**	**15,539**
Balance	**392,594**	**352,094**	**45,908**	**(411,805)**	**(30,433)**	**348,358**

(i) All RUs are credited with distribution equivalents in the form of additional RUs on each distribution payment date in respect of which normal distributions are paid on the Trust's Units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate.
(ii) Vesting equally over three years on each anniversary date.
(iii) Two thirds of Units granted vested on April 1, 2022 and April 1, 2023, equally. The remaining units were forfeited during 2023.
(iv) One third of Units granted vested on February 19, 2022. The remaining Units were forfeited during 2022.
(v) Vesting equally on March 31, 2023, September 10, 2024 and September 10, 2025.
(vi) Vesting equally on September 10, 2023, September 10, 2024 and September 10, 2025.
(vii) Vested immediately on August 17, 2023.
(viii) Vested immediately on October 25, 2023 and settling equally on June 15, 2024 and June 15, 2025.
(ix) Vesting equally on September 10, 2024, September 10, 2025 and September 10, 2026.

The total RUs granted in 2023 is 398,002 (2022 – 204,799), which represents 352,094 Units granted (2022 – 186,028) and 45,908 distribution equivalent Units granted (2022 – 18,771).

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

	As at December 31, 2023	As at December 31, 2022
Current portion of unit-based compensation liability	**$ 1,499**	$ 509
Long-term portion of unit-based compensation liability	**712**	269
Total unit-based compensation liability	**$ 2,211**	**$ 778**

Subsequent to December 31, 2023, the Trust granted 391,360 RUs, of which 370,128 RUs vest equally on June 15, 2024 and June 15, 2025, and 21,232 RUs vest on April 1, 2024.

No Options or PUs were granted as at December 31, 2023 and 2022. Certain members of the board of trustees elected to be compensated fully or partially in DUs, as described in note 13.

NOTE 12 | 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.

The Trust recorded total deal investigation and research expenses of $3,941 for the year ended December 31, 2023 (2022 – $3,228).

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

NOTE 13 | OTHER OPERATING EXPENSES

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

		Year ended December 31, 2023		Year ended December 31, 2022
Board of trustees fees	$	**1,132**	$	480
Professional fees		**1,980**		2,628
Amortization of other current assets		**240**		260
Other expenses		**1,695**		1,221
Total other operating expenses	**$**	**5,047**	**$**	**4,589**

Board of trustees fees

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

During the year ended December 31, 2023, the Trust granted 51,709 DUs (2022 – 50,373) in lieu of cash compensation to trustees and 12,655 distribution equivalent Units (2022 – 1,573) in relation to the quarterly distributions. Board compensation expense for the year ended December 31, 2023 included $809 (2022 – $296) related to the issuance of DUs and the related distribution equivalents. The fair value of the DUs vested but not settled was $1,105 (2022 – $296) and was included in other current liabilities. During the year ended December 31, 2023, the Trust made a one-time discretionary payment in the amount of $141 to the board of trustees in addition to their regular compensation (2022 – nil). This additional payment was made in cash.

Professional fees

For the year ended December 31, 2023, the Trust recorded total professional fees of $1,980 (2022 – $2,628) related to professional services including audit, legal, tax, valuation and consulting.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre Transaction, as described in note 5, 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 December 31, 2023, the option has been fully amortized with no remaining net book value (2022 – $240). For the year ended December 31, 2023, the Trust recorded amortization related to the option of $240 (2022 – $260).

Other expenses

Other expenses for the year ended December 31, 2023 were $1,695 (2022 – $1,221) and included $525 (2022 – $51) in donations, primarily related to the pledge agreement with Mayo Clinic, as described in note 18.

NOTE 14 | FINANCIAL INSTRUMENTS

The financial assets and liabilities held by the Trust as at December 31, 2023 were as follows:

	Fair value through net earnings - recognized	Fair value through net earnings - designated as hedging instruments	Amortized Cost	Total
Financial Assets				
Cash and cash equivalents	**$ 62,835**	**$ —**	**$ —**	**$ 62,835**
Royalties receivable	**—**	**—**	**64,082**	**64,082**
	$ 62,835	**$ —**	**$ 64,082**	**$ 126,917**
Financial Liabilities				
Accounts payable and accrued liabilities	**$ —**	**— $**	**5,043**	**$ 5,043**
Distributions payable to Unitholders	**—**	**—**	**19,230**	**19,230**
Derivative instruments	**—**	**1,089**	**—**	**1,089**
Performance fees payable	**—**	**—**	**5,918**	**5,918**
Current portion of credit facility	**—**	**—**	**48,750**	**48,750**
Other current liabilities	**—**	**—**	**1,241**	**1,241**
Credit facility	**—**	**—**	**96,728**	**96,728**
Preferred Securities	**—**	**—**	**93,250**	**93,250**
	$ —	**$ 1,089**	**$ 270,160**	**$ 271,249**

The financial assets and liabilities held by the Trust as at December 31, 2022 were as follows:

	Fair value through net earnings - recognized	Amortized Cost	Total
Financial Assets			
Cash and cash equivalents	$ 36,686	$ —	$ 36,686
Royalties receivable	—	27,748	27,748
Loan receivable	—	49,897	49,897
	$ 36,686	**$ 77,645**	**$ 114,331**
Financial Liabilities			
Accounts payable and accrued liabilities	$ —	$ 5,542	$ 5,542
Distributions payable to Unitholders	—	2,834	2,834
Current portion of credit facility	—	34,571	34,571
Other current liabilities	—	6,640	6,640
Credit facility	—	210,417	210,417
	$ —	**$ 260,004**	**$ 260,004**

Derivative instruments

The Trust uses an interest rate swap as a derivative financial instrument designated as a cash flow hedge to manage interest rate risk related to its amended credit facility, as described in note 8. The Trust does not hold or use any derivative instruments for speculative trading purposes. On August 31, 2023, the Trust entered into an interest rate swap agreement to fix a portion of 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 Instruments	Maturity Date	Notional Value	Fair Value as at December 31, 2023	Fair Value as at December 31, 2022
Interest rate swap	March 31, 2026	$ 100,000	**$ (1,089)**	n/a

The Trust applies hedge accounting, as described in note 2(e). During the year ended December 31, 2023, the Trust recognized an unrealized fair value loss in other comprehensive earnings (loss) of $1,089 (2022 – nil) as a result of the interest rate swap derivative instrument. During the year ended December 31, 2023, the Trust also recognized $192 (2022 – nil) in interest income on the interest rate swap, which was netted against the interest expense arising from the amended credit facility, as described in note 8.

NOTE 15 | FAIR VALUE MEASUREMENTS

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

There were no transfers among the three levels of the fair value hierarchy during the year ended December 31, 2023 (2022 – nil).

As at December 31, 2023, the Trust had cash and cash equivalents measured at fair value, which were classified as Level 1 financial instruments. The Trust also had derivative instruments measured at fair value, which were classified as Level 2 financial instruments. The derivative instrument is related to the interest rate swap described in note 14, and the fair value is estimated using a valuation model that predicts future cash flows over the contractual terms of the agreement based on observable market data, such as interest rate curves.

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

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

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

NOTE 16 | RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Trust by failing to discharge an obligation.

The Trust has determined that it is exposed to credit risk primarily related to the counterparties of its royalty assets, as described in note 6.

The counterparties to the Trust's royalty agreements are comprised primarily of marketers of the underlying products in the pharmaceutical and life science industries. As at December 31, 2023, royalties receivable from the five largest royalties receivable counterparties represented 80% of total royalties receivable (2022 – 65%). The Trust monitors its exposure to counterparties of its royalty assets on a regular basis.

Cash and cash equivalents and royalty assets are subject to credit risk. Cash and cash equivalents are held with reputable financial institutions which have high credit ratings.

(b) Liquidity risk

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

The Trust manages its cash and capital to ensure that it can meet its obligations in the normal course of operations. The Trust generally settles its accounts payable obligations within 90 days. The Trust also maintains enough liquidity to ensure it can meet the mandatory payment requirements of its amended credit facility and Preferred Securities, as described in note 8.

(c) Foreign exchange risk

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

The Trust's functional currency is the U.S. dollar; however, the Trust is exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty income. An appreciation or depreciation of 5% in the currencies to which the Trust has exposure against the U.S. dollar would not have a material impact on the Trust's net earnings as at December 31, 2023.

(d) Interest rate risk

Interest rate risk is the risk that the Trust will encounter financial loss arising from changes in interest rates.

The Trust is exposed to interest rate risk on its amended credit facility, as described in note 8. As the interest rate on the amended credit facility is partially dependent on the Trust's leverage ratio, the Trust aims to maintain a stable leverage ratio to mitigate fluctuations in the interest rate charged. The Trust also uses an interest rate swap to exchange a floating interest rate for a fixed interest rate to achieve a more predictable interest expense to assist in providing greater flexibility with complying with debt covenants. The swap also helps manage the risk of interest rate fluctuations for a portion of the amended credit facility, as described in note 8. Interest earned on the interest rate swap partially offsets the interest expense on the amended credit facility.

The Trust continuously monitors its exposure to fluctuating interest rates. A 50 basis point change in interest rates would not have a material impact on the Trust's net earnings as at December 31, 2023.

(e) Additional risks

General global economic conditions, including, without limitation, public health crises, changes to fiscal and monetary policies, fluctuations in the market prices of securities, global supply chain disruptions, national and international political circumstances, natural disasters and other events and circumstances in which the Trust does not have operational or financial control over, could potentially affect the Trust's financial position, financial performance and cash flows. However, the Trust does not anticipate that these events will have a material adverse impact on its long-term operations.

NOTE 17 | CAPITAL MANAGEMENT

As at December 31, 2023, the Trust's capital was $807,931 (2022 – $620,506) and consisted of its Unitholders' capital of $561,503 (2022 – $373,577), Preferred Securities, prior to deduction of deferred transaction costs net of amortization, of $95,887 (2022 – nil), Warrants of $2,229 (2022 – nil) and credit facilities of $148,312 (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.

As described in note 9, the Trust completed the Private Placement to a group of investors on February 8, 2023. 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 of 6,369,180 Warrants, further increasing the Trust's capital.

The Trust amended its credit facility on March 30, 2023. 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 October 31, 2023, the Trust further 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, as described in note 8.

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.

There have been no other changes in the composition of the Trust's capital or its capital management policies during the year ended December 31, 2023 compared to prior periods. As at December 31, 2023 and 2022, the Trust was in compliance with all externally imposed capital requirements.

NOTE 18 | COMMITMENTS

On September 9, 2022, the Trust entered into the Zejula transaction, as described in note 5. 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 in note 5. 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 bought an additional royalty stream on Empaveli/Syfovre, as described in note 5. In accordance with the terms of the royalty agreement, the royalty seller may also be entitled to an additional payment of $4,000 if worldwide net sales exceed certain thresholds within a predefined period of time.

On August 14, 2023, the Trust bought an additional royalty stream on Orserdu pursuant to the Orserdu II Transaction, as described in note 5. 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 two installments totaling $500 were paid in 2023.

Subsequent to December 31, 2023, the Trust expanded its interest in royalties on the sales of Omidria, as described in note 5. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional considerations of up to $55,000 in the event that Omidria sales exceed certain thresholds within a predefined period of time.

NOTE 19 | RELATED-PARTY TRANSACTIONS

Transactions with our manager

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

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

		Year ended December 31, 2023		Year ended December 31, 2022
Management fee expense	$	**22,335**	$	6,532
Performance fee expense		**24,534**		—
Total	**$**	**46,869**	**$**	**6,532**

		As at December 31, 2023		As at December 31, 2022
Management fees payable	$	**82**	$	—
Performance fee payable		**5,918**		—
Total	**$**	**6,000**	**$**	**—**

Management fees

The Trust recorded management fees of $22,335 during the year ended December 31, 2023 (2022 – $6,532). On April 27, 2023, the Trust sold its royalty interest in the worldwide sales of Tzield for $210,000, as described in note 5. Management fees for the year ended December 31, 2023 include $13,650 (2022 – nil) earned by the manager on the sale of the Tzield royalty asset. Management fees payable as at December 31, 2023 of $82 (2022 – nil) are included in accounts payable and accrued liabilities in the consolidated statements of financial position.

Performance fees

The Trust recorded performance fees of $24,534 during the year ended December 31, 2023 (2022 – nil). As a result of the sale of the Trust's royalty interest in worldwide sales of Tzield, the conditions for performance fee payments to the manager, as described in note 2(o), were met and performance fees of $18,616 were paid on August 15, 2023. Performance fees of $5,918 were also recorded in the fourth quarter of 2023 as conditions for performance fees were met primarily due to milestone income earned on Orserdu I, Orserdu II and Vonjo II, as described in note 5. These performance fees will be paid in 2024.

Key management compensation

During the years ended December 31, 2023 and 2022, the Trust issued compensation to members of the board of trustees, as described in note 13.

During the year ended December 31, 2023, the Trust granted 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 settlement of vested RUs, of which 2,584 were issued in 2021, 3,376 were issued in 2022 and 19,004 were issued in 2023. During the year ended December 31, 2023, the Trust recorded unit-based compensation expense of $396 (2022 – $70) related to the RU grants and the accretion of the related distribution equivalent Units.

NOTE 20 | SEGMENT INFORMATION

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

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

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

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

The following table provides the estimated geographical information on the Trust's royalty income for the years ended December 31, 2023 and 2022. In certain circumstances, the Trust does not have access to the underlying geographical information of its royalty income. In such cases, the Trust has allocated its royalty income to geographies using internally forecasted sales of the underlying products by geography.

	Royalty income		
		Year ended December 31, 2023	Year ended December 31, 2022
United States	$	**123,328**	$ 46,353
European Union		**13,566**	23,550
Japan		**326**	824
Rest of the world		**21,692**	16,546
	$	**158,912**	**$ 87,273**

The Trust earns royalty income from individual counterparties. These counterparties are comprised primarily of marketers of the underlying products in the pharmaceutical and life science industries. For the year ended December 31, 2023, the Trust earned royalty income of 71% from the top five counterparties. For the year ended December 31, 2022, the Trust earned royalty income of 68% from the top five counterparties in 2022.

The following table details the Trust's royalty income for the year ended December 31, 2023 for the top five counterparties in 2023:

	Royalty Income		
	Year ended December 31, 2023		
Top Counterparty 1	$	**53,450**	**34%**
Top Counterparty 2		**17,098**	**11%**
Top Counterparty 3		**16,880**	**11%**
Top Counterparty 4		**14,167**	**9%**
Top Counterparty 5		**9,875**	**6%**
Other		**47,442**	**29%**
Total	$	**158,912**	**100%**

The following table details the Trust's royalty income for the year ended December 31, 2022 for the top five counterparties in 2022:

	Year ended December 31, 2022		
Top Counterparty 1	$	15,536	18%
Top Counterparty 2		12,599	14%
Top Counterparty 3		11,259	13%
Top Counterparty 4		10,554	12%
Top Counterparty 5		9,615	11%
Other		27,710	32%
Total	**$**	**87,273**	**100%**

NOTE 21 | SUBSEQUENT EVENTS

Repayment of credit facility

On January 4, 2024, the Trust made a regular principal repayment of its amended credit facility totaling $9,750, as described in note 8.

Restricted Unit grant

On January 10, 2024, the Trust granted 391,360 RUs subject to vesting conditions, as described in note 11.

Omidria royalty amendment

On February 1, 2024, the Trust expanded its interest in royalties on the U.S. net sales of Omidria for $115,000 by amending the existing Omidria royalty agreement entered into in 2022, as described in note 5. As a result of the amendment, the Trust will now be entitled to receive a 30% royalty on U.S. net sales of Omidria, until December 31, 2031, and all previously agreed-upon annual royalty caps have been eliminated. As part of the amendment, the Trust is no longer entitled to ex-U.S. royalties. In accordance with the terms of the amended royalty agreement, the royalty seller may also be entitled to additional considerations of up to $55,000 in the event that Omidria sales exceed certain thresholds within a predefined period of time. The transaction was funded by drawing $115,000 from the Trust's amended credit facility, as described in note 8.

2024 first quarter distribution declared

On February 28, 2024, the board of trustees declared a quarterly distribution of $0.0850 per Unit to Unitholders of record as at March 31, 2024 and payable on April 19, 2024.

INVESTOR INFORMATION

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

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

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All questions related to unit certificates or
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information about the company should
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