



DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

BASIS OF PRESENTATION	1
ADDITIONAL INFORMATION	1
FORWARD-LOOKING INFORMATION	1
REFERENCES AND DEFINED TERMS	2
USE OF NON-GAAP MEASURES	2
OVERVIEW OF THE TRUST	2
BUSINESS AND STRATEGY OVERVIEW	2
FINANCIAL REVIEW: RESULTS OF OPERATIONS	11
FINANCIAL REVIEW: NON-GAAP FINANCIAL MEASURES	20
FINANCIAL REVIEW: FINANCIAL POSITION	26
FINANCIAL REVIEW: CASH FLOWS	29
EQUITY	30
LIQUIDITY AND CAPITAL RESOURCES	32
OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS	33
RELATED-PARTY TRANSACTIONS	33
CHANGES IN ACCOUNTING POLICIES	34
CRITICAL ACCOUNTING ESTIMATES	34
RISK FACTORS	35
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING	36
SUBSEQUENT EVENTS	36

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (together with its consolidated subsidiaries, the "**Trust**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements of the Trust for the year ended December 31, 2023 (the "**consolidated financial statements**"), including the accompanying notes to such financial statements. The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and its interpretations adopted by the International Accounting Standards Board ("**IASB**").

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

The board of trustees of DRI Healthcare Trust has approved this disclosure.

This MD&A is dated as of February 28, 2024.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the Trust's annual and interim quarterly consolidated financial statements and management's discussion and analyses, annual information form and management information circular, are available on SEDAR+ at www.sedarplus.ca. Solely for convenience, the products underlying our royalty assets may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the owners of such trademarks will not assert their rights to such trademarks.

FORWARD-LOOKING INFORMATION

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

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

Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, those described in greater detail under "Risk Factors" in the Trust's most recent annual information form, available under our profile on SEDAR+ at www.sedarplus.ca. The anticipated royalty terms for products in our portfolio may be shorter than the period of patent protection for the applicable product, depending on many factors, including the entry of generic drugs into the marketplace and competition, all of which are outside our control.

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

REFERENCES AND DEFINED TERMS

All references in this MD&A to the “Trust”, “we”, “us” and “our” are to DRI Healthcare Trust, together with its consolidated subsidiaries.

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

USE OF NON-GAAP MEASURES

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

Our uses, definition and calculation methodology, and the reconciliations of these non-GAAP financial measures and non-GAAP ratios to the most directly comparable measures calculated and presented in accordance with IFRS, if available, for each of the measures, are presented under *Financial Review: Non-GAAP Financial Measures* on page 20 of this MD&A. The Trust has presented the following non-GAAP financial measures and non-GAAP ratios in this MD&A:

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

OVERVIEW OF THE TRUST

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

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

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

BUSINESS AND STRATEGY OVERVIEW

Business Overview

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

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

Our manager, DRI Healthcare, has been at the forefront of our business since 1989. Over the past 17 years to date, the Trust or its predecessor funds have purchased 74 royalty streams on 48 products for \$3.0 billion.

As at December 31, 2023, our portfolio consisted of 26 royalty streams on 20 products that treat conditions in a number of therapeutic areas, including oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, as well as lysosomal storage disorders ("LSD"), immunology and influenza. Many of the royalty streams in our portfolio provide us with entitlements on products that we believe represent focus areas and important revenue sources for their respective marketers. The products underlying our royalty entitlements are marketed by leading global pharmaceutical and biotechnology companies, including Apellis Pharmaceuticals Inc. ("Apellis"), AstraZeneca PLC ("AstraZeneca"), Biogen Inc. ("Biogen"), GSK plc ("GSK"), Galderma S.A. ("Galderma"), Johnson & Johnson Services, Inc ("Johnson & Johnson"), Menarini Group ("Menarini"), Novartis AG ("Novartis"), Rayner Surgical Inc. ("Rayner Surgical"), Regeneron Pharmaceuticals Inc. ("Regeneron"), Hoffman-La Roche AG ("Roche"), Sanofi S.A. ("Sanofi") and Swedish Orphan Biovitrum AB ("Sobi"). In addition to our royalty transactions, as part of the Vonjo I royalty transaction, as described on page 8 of this MD&A, a subsidiary of DRI Healthcare Trust provided a secured loan (the "loan receivable") to CTI BioPharma Corp ("CTI"), which was fully repaid on June 26, 2023.

Unique Growth Strategy

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

As one of the most experienced players in our industry, we believe our manager has a number of advantages that are hard to replicate. One of these advantages is our manager's proprietary database that is used to source transactions. This database tracks over 7,500 royalties on over 2,500 drugs worldwide. Another advantage is the deep relationships our manager has developed in our industry.

Our target is to complete over \$1.25 billion in transactions, up from \$850 million to \$950 million, from the time of our initial public offering in February 2021 to the end of 2025, which we believe will allow us to generate sustainable annual growth in cash receipts. We expect to fund our royalty transactions predominantly using our cash on-hand, and through the prudent use of leverage. Since our initial public offering through December 31, 2023, we have deployed \$766 million in 11 royalty transactions relating to 11 products and entered into the loan receivable. In connection with these transactions, there is potential further deployment of up to \$106 million in milestone obligations.

Our Assets

The Trust's assets currently comprise royalties on products that address a variety of therapeutic areas, such as oncology, neurology, ophthalmology, endocrinology, hematology, dermatology, LSD, immunology and influenza. These products are marketed by leading global pharmaceutical and biotechnology companies, including Apellis, AstraZeneca, Biogen, GSK, Galderma, Johnson & Johnson, Menarini, Novartis, Rayner Surgical, Regeneron, Roche, Sanofi and Sobi. In addition, a subsidiary of DRI Healthcare Trust entered into the loan receivable as part of the royalty transaction relating to Vonjo I. The loan receivable was fully repaid on June 26, 2023.

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

The table below provides an overview of our royalty assets as at December 31, 2023, and outlines expected royalty expirations based on our estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring elements. See "Risk Factors" in our most recent Annual Information Form.

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry ⁽ⁱ⁾
Empaveli/Syfovre ^{(ii),(iii)}	Hematology/Ophthalmology	Apellis, Sobi	May 2021	Q4 2033
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
FluMist	Influenza	AstraZeneca	June 2003	Q4 2023
Ilaris ^(iv)	Immunology	Novartis	June 2009	Q1 2025
Natpara	Endocrinology	Takeda	January 2015	Q3 2025
Omidria	Ophthalmology	Rayner Surgical	May 2014	Q4 2030
Oracea	Dermatology	Galderma	May 2006	Q1 2028
Orserdu I	Oncology	Menarini	January 2023	Q1 2035
Orserdu II	Oncology	Menarini	January 2023	Q1 2035
Rydapt	Oncology	Novartis	April 2017	Q1 2028
Simponi ^(iv)	Immunology	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Spinraza	Neurology	Biogen	December 2016	Q3 2031
Stelara ^(iv)	Immunology	Johnson & Johnson, Mitsubishi Tanabe	September 2009	Q2 2024
Vonjo I	Hematology	Sobi	February 2022	Q2 2034
Vonjo II	Hematology	Sobi	February 2022	Q2 2034
Xenpozyme	Lysosomal Storage Disorder	Sanofi	August 2022	Q4 2036
Xolair	Immunology	Roche, Novartis	June 2003	Q2 2032
Zejula	Oncology	GSK	April 2022	Q2 2033
Zytiga	Oncology	Johnson & Johnson	September 2011 ^(v)	Q2 2028

- (i) Represents the quarter during which the final royalty payment is expected, and is based on our manager's estimates of patent expiry dates in key geographies, loss of exclusivity and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring.
- (ii) On February 17, 2023, the FDA approved Syfovre (pegcetacoplan) as a treatment for geographic atrophy. The Trust's royalty entitlement on Syfovre is consistent with that of Empaveli, as described on page 9 of this MD&A.
- (iii) Empaveli/Syfovre include two royalty streams on each product held directly. In Q2 2023, the Trust bought an additional royalty stream on Empaveli/Syfovre, as described on page 7 of this MD&A. The expected royalty expiry is consistent with the Empaveli/Syfovre royalty stream bought in Q3 2022.
- (iv) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
- (v) Represents the European Commission approval date.

Key Developments Related to our Assets

Natpara

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

On March 22, 2022, Takeda announced that a Complete Response Letter was received from the U.S. Food and Drug Administration ("**FDA**"), in response to the company's Prior Approval Supplement submission to address the issue that led to the recall in the United States, stating that the product cannot be approved in its present form.

On October 4, 2022, Takeda announced that it will discontinue manufacturing the pharmaceutical Natpara globally at the end of 2024 due to unresolved manufacturing issues related to protein and rubber particle formation. As a result, Takeda 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, we 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 us to determine the recoverable amount of Natpara to assess if the asset is impaired. We have 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 we continue to earn royalty income on European and rest of the world sales and expect 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 our analysis, the net book value of Natpara was higher than the recoverable amount, and we recognized an impairment of the Natpara royalty asset of \$9.2 million as at December 31, 2023. The net book value of Natpara as at December 31, 2023 is \$2.4 million (2022 – \$19.4 million), which represents the recoverable amount.

Zejula

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

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

Empaveli/Syfovre

On February 17, 2023, the FDA approved Syfovre (pegcetacoplan) as the first and only treatment for geographic atrophy secondary to age-related macular degeneration. In accordance with the terms of the Empaveli royalty agreement, we are entitled to royalties on the net sales of all formulations of pegcetacoplan. Accordingly, our royalty entitlement on Syfovre is consistent with that of Empaveli, as described on page 9 of this MD&A. Pegcetacoplan is also in development for additional pipeline indications including cold agglutinin disease and C3 glomerulopathy.

Loan Receivable from CTI

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

Orserdu

On September 20, 2023, Orserdu was approved by the EMA for the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy. The approval of Orserdu by the EMA triggered milestone royalty income of \$2.75 million, which was recognized as royalty income during the third quarter of 2023 and was received in the fourth quarter of 2023. During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income for Orserdu I and Orserdu II of \$3.4 million and \$30.3 million, respectively, which was recognized in royalty income in the fourth quarter of 2023. We received \$1.3 million and \$11.4 million, respectively, of this milestone royalty income in the fourth quarter of 2023, with the remaining \$2.1 million and \$18.9 million, respectively, expected to be received in the first quarter of 2024.

Other Key Events

Normal Course Issuer Bid (“**NCIB**”)

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

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

On November 13, 2023, we were granted approval by the TSX to acquire, from time to time, if considered advisable, up to 3,280,195 Units of the Trust for cancellation between November 20, 2023 and November 19, 2024 (“**November 2023 NCIB**” and, together with the September 2021 NCIB and November 2022 NCIB, the “**NCIB Plans**”). In connection with the November 2023 NCIB, we established an AUPP whereby Units of the Trust may be repurchased at the discretion of a dealer to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP.

During the year ended December 31, 2023, we acquired and cancelled 325,653 Units at an average price of \$5.43, totaling \$1.8 million. As at December 31, 2023, in aggregate, we acquired and cancelled 2,757,163 Units at an average price per Unit of \$5.26, totaling \$14.5 million under the NCIB Plans. Our NCIB Plans are discussed further on page 31 of this MD&A. In the subsequent period from December 31, 2023 to February 28, 2024, the Trust did not acquire any further units under the November 2023 NCIB.

Credit Facility

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

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

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

On October 31, 2023, we increased the total credit available under our amended credit facility to a total of \$500 million, comprised of (i) a \$375 million acquisition credit facility; (ii) a \$25 million working capital credit facility; and (iii) a \$100 million term credit facility. We also extended the maturity date of the 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 credit agreement remained unchanged. The amended credit facility is discussed in further detail on page 27 of this MD&A.

Interest Rate Swap

On August 31, 2023, we entered into an interest rate swap agreement to manage interest rate risk and reduce our exposure to floating interest rates related to our amended credit facility. This agreement allows us to fix the interest rate on a notional amount of \$100 million of our amended credit facility. This will allow us to reduce the fluctuations in our interest expense due to changes in market interest rates. The interest rate swap is discussed in further detail on page 16 of this MD&A.

Preferred Securities

On February 8, 2023, we completed a private placement of securities (the "**Private Placement**") to a group of investors, the proceeds from which were used to repay amounts owing under our amended credit facility. The Private Placement provided gross proceeds of \$95 million to the Trust through the sale of \$95 million principal amount of Series A Preferred Securities, \$19.8 million principal amount of Series B Preferred Securities (collectively, the "**Preferred Securities**") and the issuance of 6,369,180 warrants (the "**Warrants**"), as described below. The Preferred Securities are our unsecured, subordinated debt securities. The Preferred Securities will initially pay cash interest at a rate of 7.04% per annum on the principal amount of the Preferred Securities, payable semi-annually on June 30 and December 31 of each year. The Preferred Securities are discussed in further detail on page 29 of this MD&A.

Warrants

In connection with the Private Placement, we issued 6,369,180 Warrants to the Private Placement investors. Each whole Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of \$11.62 at any time until the expiry of the Warrant on February 8, 2028. The Warrant exercise price represents a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The Warrants are not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the Warrants are listed on the TSX. The Warrants are discussed in further detail on page 31 of this MD&A.

Follow-on offerings of Units

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

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

Distributions

During the year ended December 31, 2023, our board of trustees declared total distributions of \$92.1 million, comprised of cash distributions of \$49.1 million and Unit distributions of \$43.0 million.

We pay quarterly distributions in accordance with our distribution policy. Distributions are discussed in further detail in note 9 to the consolidated financial statements.

Transactions Completed in 2023

Tzield Transactions

On March 8, 2023, we bought royalties on the sales of Tzield (teplizumab-mzww) for \$100 million. The transaction was funded on March 14, 2023 and entitled us to a single-digit royalty on the worldwide net sales of Tzield. Tzield is a biologic drug indicated to delay the onset of stage 3 type 1 diabetes in adults and pediatric patients aged 8 years and older who have stage 2 (at-risk) type 1 diabetes. It was approved by the FDA in November 2022. Tzield is currently the only approved preventative treatment indicated for stage 2 type 1 diabetes patients and is marketed by Sanofi. Tzield is also being investigated in a phase III study for the treatment of newly diagnosed stage 3 type 1 diabetes patients.

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

On April 27, 2023, we sold our royalty interest in the worldwide sales of Tzield to a subsidiary of Sanofi for \$210 million. Pursuant to the terms of the agreement, we assigned to Sanofi our obligation to pay up to \$100 million in milestone payments to the extent the pre-specified events and thresholds are met. We used \$20 million of the proceeds from this transaction to pay a special cash distribution to Unitholders of record as of June 30, 2023, which was paid on July 20, 2023, as described on page 32 of this MD&A. An additional portion of the sale proceeds was used to pay down the entire balance outstanding under our acquisition credit facility on May 2, 2023, as described on page 29 of this MD&A, leaving significant cash and credit available to invest in our pipeline of royalty opportunities. This transaction resulted in management and performance fees payable to our manager, as described on page 33 of this MD&A.

Additional Empaveli/Syfovre Royalty Stream

On April 3, 2023, we bought an additional royalty stream on Empaveli/Syfovre (pegcetacoplan) for \$3.7 million. The transaction entitles us to an additional fractional percentage of worldwide net sales of pegcetacoplan. We are entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing July 1, 2022 to be paid on a three-quarter lag. We recognized acquired royalties receivable of \$0.1 million related to our royalty entitlement accrued from October 1, 2022 to April 3, 2023, the date of the royalty transaction. Transaction costs of \$0.3 million were capitalized as part of the royalty transaction.

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

Orserdu Transaction

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

In accordance with the terms of the royalty agreement, we are also entitled to receive up to \$55 million in milestone royalty payments based on the achievement of regulatory approvals and sales performance thresholds. Orserdu is an oral, selective estrogen receptor degrader. It is the first and only approved targeted therapy used in the treatment of postmenopausal women or adult men with advanced or metastatic breast cancer, who have experienced disease progression despite prior endocrine therapy. It was approved by the FDA in January 2023 and by the EMA in September 2023. The EMA approval of Orserdu triggered milestone royalty income of \$2.7 million, which was recognized as royalty income in the third quarter of 2023 and received in the fourth quarter of 2023. During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of \$3.4 million, which was recognized in royalty income in the fourth quarter of 2023, \$1.3 million of which was received in the fourth quarter of 2023 and \$2.1 million of which is expected to be received in the first quarter of 2024. Therefore for the year ended December 31, 2023, we recognized \$6.1 million in milestone royalty income and \$2.1 million in milestone royalties receivable for Orserdu I. Orserdu is patent protected up to January 2038. Orserdu was discovered by Eisai Co., Ltd. and is marketed by Menarini.

Additional Vonjo Royalty Stream

On July 7, 2023, we bought an additional royalty stream on Vonjo for \$66 million ("**Vonjo II**"). This royalty is in addition to our existing Vonjo royalty purchased in 2022, as described in the Vonjo I Transaction section below. The transaction was funded on July 25, 2023 and entitles us to a tiered royalty on worldwide net sales of Vonjo. We are entitled to receive quarterly royalty payments on a one-quarter lag based on sales beginning April 1, 2023. We received our first payment in the third quarter of 2023. Vonjo is patent protected until at least January 2034. We are also entitled to receive up to \$107.5 million in milestone royalty payments. During the year ended December 31, 2023, Vonjo sales exceeded certain sales performance thresholds that triggered milestone royalty income of \$5.0 million, which was recognized as royalty income in the fourth quarter of 2023 and received in the first quarter of 2024.

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

Additional Orserdu Royalty Stream

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

In accordance with the royalty agreement, we are also entitled to receive up to \$40 million in milestone royalty payments on the achievement of sales performance thresholds. During the year ended December 31, 2023, Orserdu sales exceeded certain sales performance thresholds that triggered milestone royalty income of \$30.3 million, which was recognized in royalty income in the fourth quarter of 2023, \$11.4 million of which was received in the fourth quarter of 2023 and \$18.9 million of which is expected to be received in the first quarter of 2024. Upon the occurrence of pre-specified events, we are obligated to pay a \$10 million milestone to the royalty seller.

Summary of Transactions Completed in 2023

The following is a summary of the transactions completed during the 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 on page 26 of this MD&A. Acquired royalties receivable of \$0.1 million were reversed as the entitlement to the royalty income was sold.

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

Omidria Royalty Amendment

Subsequent to December 31, 2023, we expanded our interest in royalties on the U.S. net sales of Omidria for \$115 million 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, we are now 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, we are 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 million in the event that Omidria sales exceed certain thresholds within a predefined period of time.

Transactions Completed in 2022

Vonjo I Transaction

On August 25, 2021, concurrent with the loan receivable, as described on page 26 of this MD&A, we entered into an agreement with CTI for a tiered royalty on sales of pacritinib, upon approval of the product by the FDA, for \$60 million ("**Vonjo I**").

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

In accordance with the terms of the royalty agreement, CTI was also entitled to additional consideration of \$6.5 million in the event that Vonjo sales exceeded certain thresholds on or before March 31, 2023 ("**Net Sales Threshold I**") and an additional \$18.5 million in the event that Vonjo sales exceeded certain thresholds on or before September 30, 2023 ("**Net Sales Threshold II**"). In January 2023, CTI confirmed that Vonjo sales exceeded Net Sales Threshold I. Accordingly, we recognized a royalty asset of \$6.5 million and funded the milestone payment on January 25, 2023. 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 us to receive royalties equal to 9.60% on the first \$125 million of annual net sales in the United States, 4.50% on annual net sales in the United States between \$125 million and \$175 million, 0.50% on annual net sales in the United States between \$175 million and \$400 million, and will have no entitlement to royalties on annual net sales in the United States exceeding \$400 million. Royalties are collected on a one-quarter lag.

Empaveli/Syfovre Transaction

On July 20, 2022, we bought royalties on the sales of Empaveli (pegcetacoplan) for \$24.5 million. The transaction entitles us to a less than 1.0% royalty on the worldwide net sales of Empaveli, subject to a cap at net sales of \$500 million in each calendar year. We will not be entitled to any royalty above the cap. As part of the transaction, we had an option to increase the annual sales cap to \$1.1 billion in exchange for a one-time payment of \$21 million. We did not exercise this option prior to its expiry in June 2023. We are entitled to receive quarterly royalty payments in respect of net sales of all formulations of pegcetacoplan, commencing January 1, 2022 to be paid on a three-quarter lag. We received our first payment in the fourth quarter of 2022. Our royalty entitlement will step down on the expiry of the relevant patents in each jurisdiction.

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

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

Zejula Transaction

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

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

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

Omidria Transaction

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

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

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

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

Xenpozyme

On November 25, 2022, we bought royalties on the sales of Xenpozyme for \$30 million. The transaction entitles us to royalties equal to approximately 1.0% of worldwide net sales of Xenpozyme. We are entitled to receive semi-annual royalty payments in respect of net sales of Xenpozyme commencing from the transaction date on a two-quarter lag from the respective half-year period. For sales made in the first and second quarters of the year, we expect to receive the royalty payment in the fourth quarter of that year. For sales made in the third and fourth quarters of the year, we expect to receive the royalty payment in the second quarter of the following year. We received the first royalty payment in the third quarter of 2023 related to sales for the second half of 2021 and all of 2022. The royalty payment related to sales for the first half of 2023 was received in the fourth quarter of 2023. Transaction costs of \$1.5 million were capitalized as part of the royalty asset acquired.

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

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

Summary of Transactions Completed in 2022

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

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

FINANCIAL REVIEW: RESULTS OF OPERATIONS

During the year ended December 31, 2023, the Trust generated total income of \$166,279 (2022 – \$93,034), incurred total expenses of \$183,731 (2022 – \$81,436) and generated a net gain on the sale of royalty assets of \$109,756 (2022 – nil).

During the year ended December 31, 2023, the Trust also recorded an unrealized fair value loss in other comprehensive earnings (loss) of \$1,089 related to its derivative instruments (2022 – nil), resulting in total comprehensive earnings of \$91,215 (2022 – \$11,598).

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

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

Royalty income

Royalty income is comprised of income from our royalty assets, which represents the contractual right to receive, directly or indirectly, a royalty payment, milestone royalty payment, licence fee or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The Trust typically does not own the licensed intellectual property; rather, it earns income based on rights to a royalty stream generally tied to the related underlying patent, calculated as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalty income is recorded on an accrual basis when earned in accordance with our contractual rights. Management is required to make estimates of royalty income earned for which a report or actual cash royalty receipts have not been received from our counterparty. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned. Actual milestone royalty receipts are received after the milestone condition has been met and they are paid in accordance with the terms of the agreement with the counterparty. Royalty income of \$158,912 for the year ended December 31, 2023 (2022 – \$87,273) includes \$64,082 (2022 – \$27,748) related to royalty entitlements (including milestones) which will be received subsequent to December 31, 2023.

The following table presents the Trust's royalty income by royalty asset for the years ended December 31, 2023 and 2022:

		Year ended December 31, 2023	Year ended December 31, 2022	% Change
Royalty Assets				
Empaveli/Syfovre ⁽ⁱ⁾	\$	3,201	\$ 234	1268 %
Eylea I		5,455	5,563	(2)%
Eylea II		1,201	5,778	(79)%
FluMist		979	2,180	(55)%
Natpara		2,478	2,564	(3)%
Omidria		14,167	3,419	314 %
Oracea		9,199	7,702	19 %
Orserdu I ^{(ii),(iii)}		16,690	—	n/a
Orserdu II ^{(ii),(iv)}		36,760	—	n/a
Rydapt		8,891	9,989	(11)%
Spinraza		16,880	15,536	9 %
Stelara, Simponi and Ilaris ^{(v),(vi)}		1,185	3,231	(63)%
Vonjo I		11,012	5,179	113 %
Vonjo II ^{(ii),(vii)}		6,086	—	n/a
Xenpozyme		837	—	n/a
Xolair		9,875	9,615	3 %
Zejula		3,196	919	248 %
Zytiga		8,835	12,599	(30)%
Other Products ^(viii)		1,985	2,765	(28)%
Total Royalty Income	\$	158,912	\$ 87,273	82 %

(i) Empaveli/Syfovre include 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 on page 7 of this MD&A.

(iii) Royalty income for Orserdu I for the year ended December 31, 2023 includes \$6,117 in milestone income.

(iv) Royalty income for Orserdu II for the year ended December 31, 2023 includes \$30,303 in milestone 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 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.

The Trust records royalty income from royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into. Royalty income for the year ended December 31, 2023 was \$158,912 (2022 – \$87,273). The increase in royalty income was primarily due to (i) royalty income earned related to Orserdu I, Orserdu II and Vonjo II which were added to the portfolio subsequent to December 31, 2022, as described on page 7 of this MD&A; (ii) the inclusion of milestone royalty income of \$2,750 from Orserdu I due to the drug receiving EMA approval, as described on page 7 of this MD&A; (iii) the inclusion of milestone royalty income of \$3,367 from Orserdu I, \$30,303 Orserdu II and \$5,000 from Vonjo II, due to annual sales exceeding certain sales performance thresholds, as described on page 8 of this MD&A; (iv) the inclusion of a second royalty stream for Empaveli/Syfovre and the approval of Syfovre in 2023; (v) strong sales from Vonjo I since the drug's approval by the FDA during the first quarter of 2022; and (vi) the inclusion of royalties from Omidria, Xenpozyme and Zejula for the full year in 2023 compared to partial-year in 2022 after the royalty transaction was completed.

The increase in royalty income was partially offset by (i) the contractual step down in royalty rate for Eylea II starting in the first quarter of 2023; (ii) the decline in sales of FluMist due to decreased vaccination programs in the United States and the EU due to the stabilization of the COVID-19 pandemic, as well as the expiration of the royalty entitlement on FluMist in the third quarter of 2023; (iii) the expiration of royalty entitlements in certain geographies as expected for Rydapt; (iv) the continued expiry of the royalty entitlements in major geographic areas as expected for Stelara, Simponi and Ilaris; (v) the expected decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies; and (vi) the inclusion of the royalty litigation settlement of \$750 in Other Products in 2022.

Royalty assets added to the portfolio subsequent to December 31, 2022 contributed \$59,536 in royalty income for the year ended December 31, 2023.

Interest and other income on loan receivable

Interest and other income was primarily comprised of interest earned and the premiums for prepayment on the loan receivable, which was repaid in full on June 26, 2023, as described on pages 5 and 26 of this MD&A. Interest and other income for the years ended December 31, 2023 and 2022 is presented below:

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

The increase in interest and other income on the loan receivable for the year ended December 31, 2023 compared to 2022 was due to the full prepayment of the loan receivable, as described on page 26 of this MD&A. Interest on the principal loan receivable for the year ended December 31, 2023 of \$3,264 represents interest accrued from January 1, 2023 to June 26, 2023, the date of the repayment, while interest on the principal loan receivable of \$5,387 for 2022 represents interest earned during the full year in 2022.

Amortization of commitment fee for the year ended December 31, 2023 of \$368 represents accelerated recognition of the unamortized balance of the \$500 commitment fee received by the Trust on August 25, 2021, the date of the loan agreement (2022 – \$97). The accretion of the exit fee for the year ended December 31, 2023 of \$734 represents accelerated recognition of the remaining receivable balance of the \$1,000 exit fee the Trust was entitled to receive in accordance with the loan agreement (2022 – \$194). The premiums for prepayment for the year ended December 31, 2023 of \$2,140 represent the prepayment penalty and the present value of the interest income on the principal loan receivable bearing interest at LIBOR plus 8.25% from June 26, 2023 to August 25, 2023, in accordance with the loan agreement.

Amortization of royalty assets

Royalty assets are amortized over the estimated useful life of the assets, as described in note 2(c) to the Trust's consolidated financial statements. The Trust amortizes its royalty assets from the date on which the Trust obtains control of those assets, which is typically the date on which the agreement creating the royalty assets is entered into. During the year ended December 31, 2023, the Trust recorded amortization of royalty assets of \$87,076 (2022 – \$59,266).

The increase in amortization expense during the year ended December 31, 2023 compared to 2022 was primarily due to the additional amortization recorded during the current year related to the assets acquired subsequent to December 31, 2022, as described on page 7 of this MD&A.

Impairment of royalty assets

During the year ended December 31, 2023, the Trust recognized an impairment loss of \$9,216 (2022 – nil) related to the Natpara royalty asset. In December 2023, the Trust filed a complaint in court alleging breach of contract and seeking damages from Takeda, as described on page 4 of this MD&A. As a result, the Trust determined the net recoverable amount for Natpara using a discounted cash flow model based on forecasted royalties to be received and a discount rate of 8%. The recoverable amount was \$2,419 as at December 31, 2023. The carrying value of the asset prior to recognizing an impairment exceeded the recoverable amount and the difference of \$9,216 was recorded as an impairment loss for the year ended December 31, 2023. The impairment loss is recognized in the consolidated statements of net earnings and comprehensive earnings.

Management fees

The Trust pays management fees on a quarterly basis to the manager, as described on page 33 of this MD&A. The Trust recorded management fees of \$22,335 during the year ended December 31, 2023 (2022 – \$6,532).

The increase in management fees for the year ended December 31, 2023 compared to 2022 was primarily due to \$13,650 in management fees earned by the manager on the \$210,000 received from the sale of the Trust's royalty interest in Tzield, as described on page 7 of this MD&A. Management fees also increased due to cash receipts on milestone royalty receipts and higher cash royalty receipts from the Trust's royalty portfolio for the year ended December 31, 2023 compared to 2022, as described on page 20 of this MD&A.

Performance fees

The Trust pays performance fees to the manager when certain conditions are met, as described on page 33 of this MD&A. The Trust recorded performance fees during the year ended December 31, 2023 of \$24,534 (2022 – nil). The conditions for performance fee payments were met during the second quarter of 2023 as a result of the sale of the Trust's royalty interest in the worldwide net sales of Tzield, as described on page 7 of this MD&A, and performance fees of \$18,616 were recognized in the quarter. During the fourth quarter of 2023, conditions for performance fee payments were met as a result of the milestone royalty income earned from Orserdu I, Orserdu II and Vonjo II, as described on page 7 of this MD&A, and performance fees of [\$5,918] were recognized in the quarter which are expected to be paid in the first and second quarters of 2024.

Interest expense

On April 20, 2022, the Trust entered into an amended and restated credit agreement, as described on page 27 of this MD&A. On February 8, 2023, the Trust issued the Preferred Securities in connection with the Private Placement as described on page 29 of this MD&A, resulting in gross proceeds of \$95,000.

Interest expense for the years ended December 31, 2023 and 2022 is presented below. The increase in interest expense during the year ended December 31, 2023 compared to 2022 was primarily due to (i) higher interest rates incurred on the Trust's amended credit facility; and (ii) the inclusion of interest expense during 2023 related to the Preferred Securities, as described on page 29 of this MD&A. The Trust's long-term debt is discussed further on page 27 of this MD&A.

Partially offsetting the interest expense on the amended credit facility is interest earned on the Trust's 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. The Trust uses the 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. During the year ended December 31, 2023, the Trust received \$192 in interest on the interest rate swap (2022 – nil).

	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

Deal investigation and research expenses

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

For the year ended December 31, 2023, the Trust recorded deal investigation and research expenses of \$3,941 (2022 – \$3,228). The increase in deal investigation and research expenses for the year ended December 31, 2023 was primarily driven by the additional research related services and consultants due to the growth of the Trust's asset acquisition initiatives in the current year when compared with 2022.

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

Unit-based compensation

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

For the year ended December 31, 2023, the unit-based compensation expense was \$5,079 (2022 – \$1,191) and was comprised of Restricted Unit ("RU") grants, net of RU forfeitures during the year. As at December 31, 2023, the unit-based compensation liability was \$2,211 (2022 – \$778), comprised of a current portion of \$1,499 (2022 – \$509) and a long-term portion of \$712 (2022 – \$269) related to the outstanding awards.

The table below provides the details of the 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.

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 Performance Units ("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 Deferred Units ("DUs"), as described in other operating expenses below.

Other operating expenses

Other operating expenses include fees paid to the board of trustees, as well as other ongoing operating expenses, including consulting, legal and audit fees required to operate our business. During the year ended December 31, 2023, the Trust recorded total operating expenses of \$5,047 (2022 – \$4,589).

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) to the Trust's consolidated financial statements.

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.

The increase in board compensation expense for the year ended December 31, 2023 compared to 2022 was due to (i) an increase in the Unit price of the Trust; (ii) the addition of another independent trustee in the fourth quarter of 2022; and (iii) a one-time additional payment of \$141 made to the board of trustees in the third quarter of 2023.

Professional fees

For the 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. The decrease for the year ended December 31, 2023 was primarily due to higher legal fees incurred in 2022 associated with the litigation of a royalty asset and higher audit fees and consulting fees recorded in 2022.

Amortization of other current assets

On July 20, 2022, in connection with the Empaveli/Syfovre Transaction, as described on page 9 of this MD&A, the Trust acquired an exclusive option for \$500 to increase the annual net sales cap for Empaveli/Syfovre, on which the Trust would be entitled to royalty payments, from \$500,000 to \$1,100,000. The option was exercisable at the discretion of the Trust before June 1, 2023. The Trust did not exercise the option prior to its expiry. The Trust recorded the option as an other current asset initially at cost and amortized it on a straight-line basis over the period from July 20, 2022, the acquisition date of the royalty, to June 1, 2023, the expiry date of the option.

As at 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 on page 33 of this MD&A.

Net gain on sale of royalty assets

For the year ended December 31, 2023, the Trust recorded a net gain on the sale of its royalty assets of \$109,756 (2022 – nil) related to the sale of its royalty interest in Tzield for gross proceeds of \$210,000, as described on page 7 of this MD&A. The gain of \$109,756 for the year ended December 31, 2023 is net of the acquired royalties receivable of \$96 recorded at the time of the purchase and transactions costs related to the sale of \$697.

Net unrealized gain (loss) on 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 on page 27 of this MD&A. The Trust does not hold or use any derivative financial instruments for speculative trading purposes. 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. 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 on page 34 of this MD&A. 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.

Weighted average number of Units

For the year ended December 31, 2023, the Trust generated basic and fully diluted net earnings per Unit of \$2.08 and \$2.07, respectively (2022 – \$0.30 and \$0.30, respectively). The weighted average number of Units outstanding for the purpose of calculating 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

Fourth Quarter Results

Comprehensive earnings (loss) for the fourth quarter of 2023 were \$20,434 (2022 – \$4,807 loss). The summary of the results of operations during the fourth quarters of 2023 and 2022 are presented below:

	Three months ended December 31, 2023	Three months ended December 31, 2022
Income		
Royalty income	\$ 75,449	\$ 20,983
Interest and other income on loan receivable	—	1,609
Other interest income	393	50
Total income	75,842	22,642
Expenses		
Amortization of royalty assets	24,719	19,078
Impairment of royalty assets	9,216	—
Management fees	3,426	2,055
Performance fees	5,918	—
Interest expense	6,336	4,013
Deal investigation and research expenses	1,341	863
Unit-based compensation	1,379	342
Other operating expenses	1,332	1,098
Total expenses	53,667	27,449
Net earnings (loss)	22,175	(4,807)
Other comprehensive earnings (loss)		
Net unrealized gain (loss) on derivative instruments	(1,741)	—
Comprehensive earnings (loss)	\$ 20,434	\$ (4,807)

During the fourth quarter of 2023, the Trust generated total income of \$75,842 (2022 – \$22,642). This consisted primarily of royalty income of \$75,449 (2022 – \$20,983). Royalty income for the three months ended December 31, 2023 includes \$60,223 related to estimated royalty entitlements (including milestones), which will be received subsequent to December 31, 2023 (2022 – \$20,809). Royalty income for the three months ended December 31, 2023 also included milestone royalty income of \$38,670 related to Orserdu I, Orserdu II and Vonjo II (2022 – nil), as described on page 7 of this MD&A.

During the fourth quarter of 2023, the Trust's expenses were \$53,667 (2022 – \$27,449), including \$24,719 related to amortization of royalty assets over their expected useful lives (2022 – \$19,078); \$9,216 related to the impairment loss on the Natpara royalty asset (2022 – nil), as described on page 4 of this MD&A; \$3,426 related to management fees (2022 – \$2,055); \$5,918 of performance fees as a result of the milestone royalty income earned (2022 – nil); \$6,336 related to interest expense for the credit facility and preferred securities (2022 – \$4,013), as described on page 5 and page 6 of this MD&A, respectively; deal investigation and research expenses of \$1,341 (2022 – \$863), which include the ongoing costs associated with the Trust's research and due diligence activities for potential asset acquisitions; Unit-based compensation of \$1,379 (2022 – \$342); and other operating expenses of \$1,332 (2022 – \$1,098) which include general costs of operating our business including board, consulting, legal and audit fees.

The Trust also recorded an other comprehensive loss of \$1,741 related to its cash flow hedge (2022 – nil) during the three months ended December 31, 2023.

The following table presents the Trust's royalty income by royalty asset for the three months ended December 31, 2023 and 2022:

		Three months ended December 31, 2023	Three months ended December 31, 2022	% Change
Royalty Assets				
Empaveli/Syfovre ⁽ⁱ⁾	\$	709	\$ 109	550 %
Eylea I		1,467	1,312	12 %
Eylea II		319	1,117	(71)%
FluMist		—	(412)	(100)%
Natpara		663	562	18 %
Omidria		4,417	3,419	29 %
Orserdu ^{(ii),(iii)}		2,261	1,431	58 %
Orserdu II ^{(ii),(iv)}		10,335	—	n/a
Orserdu II ^{(ii),(iv)}		35,440	—	n/a
Rydapt		2,565	1,782	44 %
Spinraza		4,832	4,041	20 %
Stelara, Simponi and Ilaris ^(v)		142	598	(76)%
Vonjo I		2,902	1,949	49 %
Vonjo II ^{(ii),(vi)}		5,605	—	n/a
Xenpozyme		365	—	n/a
Xolair		1,516	1,858	(18)%
Zejula		867	774	12 %
Zytiga		571	1,447	(61)%
Other Products ^(vii)		473	996	(53)%
Total Royalty Income	\$	75,449	\$ 20,983	260 %

(i) Empaveli/Syfovre include two royalty streams on each product held directly.

(ii) The Trust did not record any 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 on page 7 of this MD&A.

(iii) Royalty income for Orserdu I for the three months ended December 31, 2023 includes \$3,367 in milestone royalty income.

(iv) Royalty income for Orserdu II for the three months 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) Royalty income for Vonjo II for the three months ended December 31, 2023 includes \$5,000 in milestone royalty income.

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

Royalty income for the three months ended December 31, 2023 was \$75,449 (2022 – \$20,983). The increase in royalty income was primarily due to (i) royalty income earned related to Orserdu I, Orserdu II and Vonjo II, which were added to the portfolio subsequent to December 31, 2022, as described on page 7 of this MD&A; (ii) the inclusion of milestone royalty income of \$3,367 from Orserdu I, \$30,303 from Orserdu II and \$5,000 from Vonjo II, due to annual sales exceeding certain sales performance thresholds, as described on page 8 of this MD&A; (iii) the inclusion of a second royalty stream for Empaveli/Syfovre and the approval of Syfovre in 2023; (iv) increased annual royalty caps for Omidria; (v) increased sales from Oracea due to new marketing strategies put in place by Galderma; (vi) the inclusion of \$1,000 arising from a litigation settlement for Rydapt; and (vii) strong sales from Vonjo I since the drug's approval by the FDA during the first quarter of 2022.

The increase in royalty income was partially offset by (i) the contractual step-down in royalty rate for Eylea II starting in the first quarter of 2023; (ii) the expiration of the royalty entitlement on FluMist in the third quarter of 2023; (iii) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; and (iv) the expected decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies.

Summary of quarterly results

The following table provides a summary of the Trust's quarterly results, the distributions per Unit and the weighted average number of Units outstanding for the last eight most recently completed quarters:

As at	2023				2022			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Total assets	\$ 834,957	\$ 811,522	\$ 720,343	\$ 692,331	\$ 633,419	\$ 614,042	\$ 450,167	\$ 453,773
Credit facility and Preferred Securities	189,978	204,287	236,341	290,576	212,358	186,858	50,858	54,881
Three months ended	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Total income	\$ 75,842	\$ 34,143	\$ 28,058	\$ 28,236	\$ 22,642	\$ 26,471	\$ 21,296	\$ 22,625
Total expenses ⁽ⁱ⁾	(53,667)	(38,074)	(62,631)	(29,359)	(27,449)	(18,857)	(18,199)	(16,931)
Net gain on sale of royalty assets	—	150	109,606	—	—	—	—	—
Net earnings (loss)	\$ 22,175	\$ (3,781)	\$ 75,033	\$ (1,123)	\$ (4,807)	\$ 7,614	\$ 3,097	\$ 5,694
Net unrealized gain (loss) on derivative instruments	(1,741)	652	—	—	—	—	—	—
Comprehensive earnings (loss)	\$ 20,434	\$ (3,129)	\$ 75,033	\$ (1,123)	\$ (4,807)	\$ 7,614	\$ 3,097	\$ 5,694
Net earnings (loss) per Unit								
Basic	\$ 0.39	\$ (0.08)	\$ 2.00	\$ (0.03)	\$ (0.13)	\$ 0.20	\$ 0.08	\$ 0.15
Diluted	\$ 0.39	\$ (0.08)	\$ 2.00	\$ (0.03)	\$ (0.13)	\$ 0.20	\$ 0.08	\$ 0.15
Distributions per Unit⁽ⁱⁱ⁾								
Cash	\$ 0.3412	\$ 0.0750	\$ 0.6084	\$ 0.0750	\$ 0.0750	\$ 0.0750	\$ 0.0750	\$ 0.0750
Unit ⁽ⁱⁱⁱ⁾	\$ 0.7640	n/a	n/a	n/a	\$ 0.1655	n/a	n/a	n/a
Weighted average number of Units								
Basic	56,332,607	46,115,848	37,487,973	37,753,194	38,231,059	38,657,266	38,654,707	38,743,644
Diluted	56,464,102	46,205,568	37,680,076	37,821,801	38,270,508	38,694,492	38,666,241	38,743,769

(i) Total expenses for the second quarter of 2023 include management fees of \$13,650 and performance fees of \$18,616 related to the sale of the Tzield royalty interest, as described on page 7 of this MD&A. Total expenses for the fourth quarter of 2023 include performance fees of \$5,918 related to the milestone royalty income earned on Orserdu I, Orserdu II and Vonjo II, as described on page 13 of this MD&A.

(ii) Represent distributions declared during the period.

(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. 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 distributions, Units of the Trust were consolidated such that, after each consolidation, each Unitholder held the same number of Units that were held by the Unitholder immediately before the special Unit distribution.

FINANCIAL REVIEW: NON-GAAP FINANCIAL MEASURES

The Trust reports certain non-GAAP financial measures, including Total Cash Receipts, Normalized Total Cash Receipts, Total Cash Royalty Receipts and Adjusted EBITDA. The Trust also reports certain non-GAAP ratios, including Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit. These measures and ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts

Total Cash Receipts refers to Total Cash Royalty Receipts plus cash receipts from all products. Total Cash Receipts includes cash receipts from interest as well as non-recurring cash receipts such as the principal payments related to the loan receivable, fees and premiums related thereto and proceeds from the sale of royalty assets which consist of the proceeds from the sale of our Tzield royalty interest.

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

	Cash Receipts			Cash Receipts		
	Three months ended December 31, 2023	Three months ended December 31, 2022	% Change	Year ended December 31, 2023	Year ended December 31, 2022	% Change
Royalty Assets						
Empaveli/Syfovre ⁽ⁱ⁾	\$ 1,438	\$ 269	435 %	\$ 1,876	\$ 269	597 %
Eylea I	1,456	1,290	13 %	5,511	5,399	2 %
Eylea II	317	1,407	(77)%	2,022	5,881	(66)%
FluMist	944	734	29 %	2,423	2,952	(18)%
Natpara	635	575	10 %	2,441	2,625	(7)%
Omidria	3,250	1,670	95 %	13,000	1,670	678 %
Oracea	2,267	1,845	23 %	8,319	7,662	9 %
Orserdu I ⁽ⁱⁱ⁾	8,633	—	n/a	12,086	—	n/a
Orserdu II ⁽ⁱⁱ⁾	14,521	—	n/a	14,521	—	n/a
Rydapt	1,698	2,226	(24)%	8,242	10,102	(18)%
Spinraza	4,426	3,879	14 %	16,784	16,466	2 %
Stelara, Simponi and Ilaris ^{(iii),(iv)}	278	597	(53)%	1,300	3,704	(65)%
Vonjo I	3,079	1,751	76 %	10,134	3,155	221 %
Vonjo II	642	—	n/a	1,038	—	n/a
Xenpozyme	427	—	n/a	674	—	n/a
Xolair	3,198	3,019	6 %	9,945	9,646	3 %
Zejula	867	692	25 %	3,126	692	352 %
Zytiga	3,691	9,101	(59)%	12,234	18,059	(32)%
Other Products ^{(v),(vi)}	486	562	(14)%	2,241	2,563	(13)%
Total Cash Royalty Receipts^(ix)	\$ 52,253	\$ 29,617	76 %	\$ 127,917	\$ 90,845	41 %
Interest receipts from loan receivable ^(vii)	\$ —	\$ 1,533	(100)%	\$ 3,264	\$ 5,387	(39)%
Principal repayment of loan receivable ^{(vii),(x)}	—	—	n/a	50,000	—	n/a
Exit fee received for loan receivable ^{(vii),(ix)}	—	—	n/a	1,000	—	n/a
Premiums for prepayment of loan receivable ^{(vii),(ix)}	—	—	n/a	2,140	—	n/a
Proceeds from sale of royalty assets ^{(viii),(x)}	—	—	n/a	210,000	—	n/a
Total Cash Receipts^(ix)	\$ 52,253	\$ 31,150	68 %	\$ 394,321	\$ 96,232	310 %
Principal repayment of loan receivable ^{(vi),(ix)}	\$ —	\$ —	n/a	\$ (50,000)	\$ —	n/a
Exit fee received for loan receivable ^{(vi),(ix)}	—	—	n/a	(1,000)	—	n/a
Premiums for prepayment of loan receivable ^{(vi),(ix)}	—	—	n/a	(2,140)	—	n/a
Proceeds from sale of royalty assets ^{(viii),(x)}	—	—	n/a	(210,000)	—	n/a
Normalized Total Cash Receipts^(ix)	\$ 52,253	\$ 31,150	68 %	\$ 131,181	\$ 96,232	36 %

- (i) Per the royalty agreement, Empaveli/Syfovre royalty cash receipts are to be received on a three-quarter lag. During the fourth quarter of 2023, the Trust received royalty cash receipts related to sales from the first quarter of 2023, on a three-quarter lag. Prior to the fourth quarter, royalties had been received on a two-quarter lag.
- (ii) Includes milestone royalty receipts of \$4,013 from Orserdu I and \$11,364 from Orserdu II.
- (iii) Stelara, Simponi and Ilaris include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.
- (iv) During the third quarter of 2021, the Trust recorded an other current liability of \$718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with Ilaris prior to the Trust's acquisition of the asset. Royalties receivable of nil and \$334 were used to reduce the obligation during the three months and year ended December 31, 2022, respectively. There is no remaining obligation as at December 31, 2023 (2022 – nil) related to the past overpayments.
- (v) Other Products includes royalty income from certain other royalty assets as well as royalty assets which are fully amortized and, where applicable, the entitlements to which have generally expired.
- (vi) For the year ended December 31, 2022, the Trust received \$750 related to the settlement of litigation on a royalty asset which predated the Trust's acquisition of such royalty asset. The entitlement to royalties on the royalty asset expired in the fourth quarter of 2018.
- (vii) Interest receipts from loan receivable relates to the loan receivable, which was repaid in full on June 26, 2023, as described on page 26 of this MD&A. The interest receipt for the year ended December 31, 2023 is related to the accrued interest from January 1, 2023 to June 26, 2023. In accordance with the loan agreement, the Trust was also entitled to receive an exit fee and prepayment premiums upon prepayment of the loan, which were received in the second quarter of 2023.
- (viii) The Trust completed a transaction in respect of Tzield during the first quarter of 2023. On April 27, 2023, the Trust sold the Tzield royalty asset, as described on page 7 of this MD&A.
- (ix) Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP financial measures.
- (x) This item represents cash received by the Trust in the quarter that is not expected to recur in the normal course of our operations, as described on pages 5 and 7 of this MD&A. As such, this item is not included in Normalized Total Cash Receipts.

Fourth quarter Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts

Normalized Total Cash Receipts and Total Cash Receipts during the three months ended December 31, 2023 were \$52,253, representing an increase of \$21,103 or 68% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of \$75,449 during the three months ended December 31, 2023 (2022 – \$22,592).

Total Cash Royalty Receipts during the three months ended December 31, 2023 increased by \$22,636 or 76% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties from Orserdu I, Orserdu II, Vonjo II and Xenpozyme, which had not yet generated cash receipts in December 31, 2022 and contributed \$24,223 during the current quarter; (ii) the inclusion of milestone royalty receipts from Orserdu I due to the drug receiving EMA approval; (iii) the inclusion of milestone royalty receipts from Orserdu I and Orserdu II for the achievement of certain sales performance thresholds; (iv) the receipt of royalties related to two quarters of sales for Empaveli/Syfovre during the fourth quarter of 2023 compared to only one quarter in 2022; (v) the increase in the annual royalty caps for Omidria as described on page 9 of this MD&A; (vi) the increase in royalties for Vonjo I, which has demonstrated strong growth since being approved by the FDA during the first quarter 2022; and (vii) the increase in royalties for Spinraza due to patient growth and increased pricing in the United States. The increase in cash royalty receipts was partially offset by (i) a decrease in royalty entitlement rates for Eylea II, as the royalty stream reached a contractual step-down in royalty rates as expected in the first quarter of 2023; (ii) the expiration of royalty entitlements in certain geographies as expected for Rydapt; (iii) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; and (iv) the decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies.

There were no cash interest receipts from the loan receivable for the three months ended December 31, 2023 as the loan receivable was prepaid by CTI on June 26, 2023, as described on page 5 of this MD&A.

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

Normalized Total Cash Receipts during the year ended December 31, 2023 were \$131,181, representing an increase of \$34,949 or 36% compared to the same period in 2022. The Trust recorded royalty income and interest and other income on the loan receivable of \$165,418 during the year ended December 31, 2023 (2022 – \$92,951).

Total Cash Royalty Receipts during the year ended December 31, 2023 increased by \$37,072 or 41% compared to the same period in 2022. The increase in Total Cash Royalty Receipts was primarily driven by (i) the inclusion of royalties from Orserdu I, Orserdu II, Vonjo II and Xenpozyme, which had not yet generated cash receipts as of December 31, 2022 and contributed \$28,319 during the year ended December 31, 2023; (ii) the inclusion of milestone royalty receipts from Orserdu I due to the drug receiving EMA approval; (iii) the inclusion of milestone royalty receipts from Orserdu I and Orserdu II for the achievement of certain sales performance thresholds; (iv) the receipt of royalties for the full year in 2023 for Empaveli/Syfovre, Omidria and Zejula as these assets were acquired in the latter half of 2022; (v) the increase in the annual royalty caps for Omidria as described on page 9 of this MD&A; and (vi) and the increase in royalties for Vonjo I, which has demonstrated strong growth since being approved by the FDA during the first quarter 2022. The increase in Total Cash Royalty Receipts was partially offset by (i) a decrease in the royalties received for Eylea II, as the royalty stream reached a contractual step-down in royalty rates as expected in the first quarter of 2023; (ii) the expiration of royalty entitlements in certain geographies as expected for Rydapt; (vi) the continued contractual expirations of royalty entitlements in certain geographies as expected for Stelara, Simponi and Ilaris; and (vii) the decrease in royalty entitlements for Zytiga in certain non-U.S. geographies due to the entry of generic equivalents in these geographies.

For the year ended December 31, 2023, the Trust's Total Cash Receipts were \$394,321 (2022 – \$96,232) and included cash receipts related to the interest on the loan receivable, the repayment of the loan receivable by CTI along with associated exit fees and premiums, and the proceeds from the sale of the Trust's royalty interest in Tzield, as described on page 7 of this MD&A.

Cash interest receipts from the loan receivable were \$3,264 for the year ended December 31, 2023, which represent a decrease of \$2,123 or 39% compared to 2022. This is due to the repayment of the loan receivable in 2023, resulting in interest only being received for the period from January 1, 2023 to June 26, 2023 compared to a full year of interest received in 2022.

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

The reconciliation of Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts to the most directly comparable measures calculated in accordance with IFRS is presented below. The Trust reconciles Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts to total income. Total income represents the sum of royalty income, interest and other income on the loan receivable and other interest income. Reconciling total income to Total Cash Receipts results in the subtraction of other interest income, non-cash royalty income, non-cash interest and other income on the loan receivable and the addition of cash received for the principal repayment of the loan receivable, the cash exit fee received on the repayment of the loan receivable and cash proceeds from the sale of the Trust's royalty assets. When reconciling to Normalized Total Cash Receipts, we further subtract cash receipts not expected to recur, such as principal repayments of loan receivable, exit fees, premiums for prepayment of loan receivable and proceeds from the sale of royalty assets. When reconciling to Total Cash Royalty Receipts, there is a corresponding subtraction to interest and other income on the loan receivable and an addition of non-cash interest and other income on the loan receivable and premiums for prepayment on loan receivable, since Total Cash Royalty Receipts is a measure of the Trust's cash royalty receipts from all products, excluding income from the Trust's debt instruments and cash receipts not expected to recur. For purposes of complying with equal prominence requirements of applicable securities laws relating to non-GAAP financial measures, the Trust refers to total income when referring to Total Cash Receipts, Normalized Total Cash Receipts and Total Cash Royalty Receipts.

	Three months ended December 31, 2023		Three months ended December 31, 2022		Year ended December 31, 2023		Year ended December 31, 2022	
Total income	\$	75,842	\$	22,642	\$	166,279	\$	93,034
[-] Other interest income		(393)		(50)		(861)		(83)
[+] Royalties receivable, beginning of period		40,886		36,386		27,748		30,148
[-] Royalties receivable, end of period		(64,082)		(27,748)		(64,082)		(27,748)
[+] Acquired royalties receivable ⁽ⁱ⁾		—		—		5,343		1,366
[-] Non-cash royalty income ⁽ⁱⁱ⁾		—		(4)		(4)		(194)
[-] Non-cash interest and other income on loan receivable ⁽ⁱⁱⁱ⁾		—		(76)		(1,102)		(291)
[+] Principal repayment of loan receivable		—		—		50,000		—
[+] Exit fee received for loan receivable ⁽ⁱⁱⁱ⁾		—		—		1,000		—
[+] Proceeds from sale of royalty assets		—		—		210,000		—
[=] Total Cash Receipts	\$	52,253	\$	31,150	\$	394,321	\$	96,232
[-] Principal repayment of loan receivable ^(iv)		—		—		(50,000)		—
[-] Exit fee received for loan receivable ^{(iii),(iv)}		—		—		(1,000)		—
[-] Premiums for prepayment of loan receivable ^(iv)		—		—		(2,140)		—
[-] Proceeds from sale of royalty assets ^(iv)		—		—		(210,000)		—
[=] Normalized Total Cash Receipts	\$	52,253	\$	31,150	\$	131,181	\$	96,232
[-] Interest and other income on loan receivable		—		(1,609)		(6,506)		(5,678)
[+] Non-cash interest and other income on loan receivable ⁽ⁱⁱⁱ⁾		—		76		1,102		291
[+] Premiums for prepayment of loan receivable ^(iv)		—		—		2,140		—
[=] Total Cash Royalty Receipts	\$	52,253	\$	29,617	\$	127,917	\$	90,845

- (i) Acquired royalties receivable represent the Trust's royalty entitlements prior to the completion of the royalty transactions they relate to, as described on page 7 of this MD&A. Acquired royalties receivable of \$96 previously recognized for the Tzield Transaction were reversed during the second quarter of 2023 as the Trust's royalty interest in Tzield was sold, as described on page 7 of this MD&A.
- (ii) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months and year ended December 31, 2022 of nil and \$334, respectively, were used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at December 31, 2023 (2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of \$155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and \$4 were used to reduce the obligation during the three months and year ended December 31, 2023, respectively (2022 – \$4 and \$15, respectively). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of \$136.
- (iii) For the three months and year ended December 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and \$368, respectively (2022 – \$25 and \$97, respectively) and the accretion of exit fees receivable of nil and \$734, respectively (2022 – \$51 and \$194, respectively). In accordance with the loan agreement, the Trust received an exit fee of \$1,000 as the loan was fully repaid in the second quarter of 2023, as described on page 26 of this MD&A. The exit fee of \$1,000 received in the second quarter of 2023 is a cash receipt not expected to recur in normal operations is excluded from Normalized Total Cash Receipts.
- (iv) This item represents cash received by the Trust that is not expected to recur in the normal course of our operations, as described on pages 5 and 7 of this MD&A. As such, this item is not included in Normalized Total Cash Receipts.

Adjusted EBITDA

We believe Adjusted EBITDA provides meaningful information about our operating cash flows as it eliminates the effects of other non-cash expenses and accruals and income and expenses that are not expected to recur, that have been recorded on the statement of net earnings (loss) and comprehensive earnings (loss). We refer to EBITDA when reconciling our net earnings (loss) and comprehensive earnings (loss) to Adjusted EBITDA, but we do not use EBITDA as a measure of our performance.

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

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Comprehensive earnings (loss)	\$ 20,434	\$ (4,807)	\$ 91,215	\$ 11,598
[+] Amortization of royalty assets	24,719	19,078	87,076	59,266
[+] Amortization of other current assets ⁽ⁱ⁾	—	146	240	260
[+] Impairment of royalty assets	9,216	—	9,216	—
[-] Other interest income	(393)	(50)	(861)	(83)
[+] Interest expense	6,336	4,013	26,503	6,630
EBITDA	60,312	18,380	213,389	77,671
[+] Royalties receivable, beginning of period	40,886	36,386	27,748	30,148
[-] Royalties receivable, end of period	(64,082)	(27,748)	(64,082)	(27,748)
[-] Performance fees payable, beginning of period	—	—	—	—
[+] Performance fees payable, end of period	5,918	—	5,918	—
[+] Acquired royalties receivable ⁽ⁱⁱ⁾	—	—	5,343	1,366
[+] Unit-based compensation ⁽ⁱⁱⁱ⁾	1,379	342	3,731	1,191
[+] Board of trustees unit-based compensation ^(iv)	296	91	809	296
[-] Non-cash royalty income ^(v)	—	(4)	(4)	(194)
[-] Non-cash interest and other income on loan receivable ^(vi)	—	(76)	(1,102)	(291)
[-] Premiums for prepayment of loan receivable ^(vii)	—	—	(2,140)	—
[-] Net gain on sale of royalty assets ^(viii)	—	—	(109,756)	—
[+] Net unrealized loss on derivative instruments	1,741	—	1,089	—
[+] Management fee on sale of royalty asset ^(ix)	—	—	13,650	—
[+] Performance fee on sale of royalty asset ^(ix)	—	—	18,616	—
[=] Adjusted EBITDA	\$ 46,450	\$ 27,371	\$ 113,209	\$ 82,439

- (i) In connection with the Empaveli/Syovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 16 of this MD&A. The related amortization expense is recorded in other operating expenses.
- (ii) Acquired royalties receivable represent the Trust's royalty entitlements prior to the completion of the royalty transactions they relate to, as described on page 8 of this MD&A. Acquired royalties receivable of \$96 previously recognized for the Tzield Transaction was reversed during the second quarter of 2023 as the Trust's royalty interest in Tzield was sold, as described on page 7 of this MD&A.
- (iii) For the year ended December 31, 2023, unit-based compensation expense was \$5,079 (2022 – \$1,191), which includes \$1,348 paid in cash to the third quarter of 2023 (2022 – nil).
- (iv) Certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan, as described on page 15 of this MD&A.
- (v) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months and year ended December 31, 2022 of nil and \$334, respectively, was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at December 31, 2023 (2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of \$155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and \$4 were used to reduce the obligation during the three months and year ended December 31, 2023, respectively (2022 – \$4 and \$15, respectively). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of \$136.
- (vi) For the three months and year ended December 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and \$368, respectively (2022 – \$25 and \$97, respectively) and the accretion of exit fees receivable of nil and \$734, respectively (2022 – \$51 and \$194, respectively).
- (vii) The Trust received a prepayment premium for prepayment of the loan receivable, as described on page 26 of this MD&A.
- (viii) During the second quarter of 2023, the Trust sold its royalty interest in Tzield, as described on page 7 of this MD&A. The net gain on sale is further described on page 16 of this MD&A.
- (ix) During the year ended December 31, 2023, the Trust paid management fees of \$13,650 and performance fees of \$18,616 related to the sale of the Tzield royalty asset, pursuant to the management agreement, as described in note 2(n) and 2(o) to the Trust's consolidated financial statements.

Adjusted EBITDA during the three months ended December 31, 2023 was \$46,450, representing an increase of \$19,079 or 70% compared to the same period in 2022. Adjusted EBITDA during the year ended December 31, 2023 was \$113,209, representing an increase of 30,770 or 37% compared to 2022. The increase in Adjusted EBITDA for both the three months and year ended December 31, 2023 was primarily attributed to the increase in royalty income compared to the same periods in 2022. Royalty income increased by \$54,466 and \$71,639, respectively, for the three months and year ended December 31, 2023, compared to the same periods in 2022, as described on pages 11 and 18 of this MD&A.

Adjusted EBITDA Margin

We believe that Adjusted EBITDA Margin is a useful supplemental measure to demonstrate the operating efficiency of our business on a cash basis. Since the second quarter of 2023 Adjusted EBITDA Margin has been calculated using Normalized Total Cash Receipts which eliminates the impact of cash receipts not expected to recur in the normal course of our operations. In prior periods, Total Cash Receipts had been used for our calculation of Adjusted EBITDA Margin; however, with the inclusion of cash receipts that are not expected to recur in Total Cash Receipts, in order for Adjusted EBITDA Margin to be presented on a comparable basis with respect to prior periods, Normalized Total Cash Receipts has been used and will be used going forward.

The calculation of Adjusted EBITDA Margin is presented below.

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Adjusted EBITDA	\$ 46,450	\$ 27,371	\$ 113,209	\$ 82,439
[+] Normalized Total Cash Receipts	\$ 52,253	\$ 31,150	\$ 131,181	\$ 96,232
[=] Adjusted EBITDA Margin	89%	88%	86%	86%

Adjusted Cash Earnings per Unit

We believe that Adjusted Cash Earnings per Unit provides meaningful information about our performance as it provides a measure of the cash generated by our assets on a per Unit basis, excluding cash earnings that are not expected to recur.

The calculation of Adjusted Cash Earnings per Unit is presented below:

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Comprehensive earnings (loss)	\$ 20,434	\$ (4,807)	\$ 91,215	\$ 11,598
[+] Amortization of royalty assets	24,719	19,078	87,076	59,266
[+] Amortization of other current assets ⁽ⁱ⁾	—	146	240	260
[+] Impairment of royalty assets	9,216	—	9,216	—
[+] Unit-based compensation ⁽ⁱⁱ⁾	1,379	342	3,731	1,191
[+] Board of trustees unit-based compensation ⁽ⁱⁱⁱ⁾	296	91	809	296
[-] Non-cash royalty income ^(iv)	—	(4)	(4)	(194)
[-] Non-cash interest and other income on loan receivable ^(v)	—	(76)	(1,102)	(291)
[-] Premiums for prepayment of loan receivable ^(vi)	—	—	(2,140)	—
[-] Net gain on sale of royalty assets ^(vii)	—	—	(109,756)	—
[+] Net unrealized loss on derivative instruments	1,741	—	1,089	—
[+] Management fee on sale of royalty asset ^(viii)	—	—	13,650	—
[+] Performance fee on sale of royalty asset ^(viii)	—	—	18,616	—
Adjusted Cash Earnings	\$ 57,785	\$ 14,770	\$ 112,640	\$ 72,126
[±] Weighted average number of Units – basic	56,332,607	38,231,059	44,479,802	38,570,499
[=] Adjusted Cash Earnings per Unit – basic	\$ 1.03	\$ 0.39	\$ 2.53	\$ 1.87
[±] Weighted average number of Units – diluted	56,464,102	38,270,508	44,622,811	38,591,392
[=] Adjusted Cash Earnings per Unit – diluted	\$ 1.02	\$ 0.39	\$ 2.52	\$ 1.87

- (i) In connection with the Empaveli/Syfovre Transaction completed in 2022, the Trust acquired other current assets, as described on page 16 of this MD&A. The related amortization expense is recorded in other operating expenses.
- (ii) For the year ended December 31, 2023, unit-based compensation expense was \$5,079 (2022 – \$1,191), which includes \$1,348 paid in cash to the third quarter of 2023 (2022 – nil).
- (iii) Certain members of the board of trustees elected to be compensated fully or partially in DUs under the Trust's Omnibus Equity Incentive Plan, as described on page 15 of this MD&A.
- (iv) Non-cash royalty income is related to excess royalty payments received in prior periods in which the Trust has an obligation to the royalty payers. Royalty income for the three months and year ended December 31, 2022 of nil and \$334, respectively, was used to reduce the obligation for excess royalty payments received in connection with Ilaris. There is no remaining obligation as at December 31, 2023 (2022 – nil) related to Ilaris. In the second quarter of 2022, the Trust recorded other current liabilities and a corresponding deduction to royalty income of \$155 to reflect an additional obligation for excess royalty payments received related to other royalty assets. Royalty income of nil and \$4 were used to reduce the obligation during the three months and year ended December 31, 2023, respectively (2022 – \$4 and \$15, respectively). Royalty income earned in future periods related to other royalty assets will be used to repay the remaining obligation of \$136.
- (v) For the three months and year ended December 31, 2023, non-cash interest and other income on loan receivable represents the amortization of commitment fees of nil and \$368, respectively (2022 – \$25 and \$97, respectively) and the accretion of exit fees receivable of nil and \$734, respectively (2022 – \$51 and \$194, respectively). In accordance with the loan agreement, the Trust received an exit fee of \$1,000 as the loan was fully repaid in the second quarter of 2023, as described on page 26 of this MD&A. The accelerated exit fee income recognized in the year ended December 31, 2023 is not expected to recur and is not included in Adjusted Cash Earnings.
- (vi) The Trust received a prepayment premium for prepayment of the loan receivable, as described on page 26 of this MD&A. The prepayment premium is a cash earning that is not expected to recur and is not included in Adjusted Cash Earnings.
- (vii) During the year ended December 31, 2023, the Trust sold its royalty interest in Tzield, as described on page 7 of this MD&A. The net gain recognized on the sale of the Tzield royalty asset is an amount that is not expected to recur and is not included in Adjusted Cash Earnings.
- (viii) During the year ended December 31, 2023, the Trust paid management fees of \$13,650 and performance fees of \$18,616 related to the sale of the Tzield royalty asset, pursuant to the management agreement, as described in note 2(n) and 2(o) to the Trust's consolidated financial statements. The management and performance fees resulting from the sale of the Tzield royalty asset are not expected to recur and are not included in Adjusted Cash Earnings.

Basic Adjusted Cash Earnings per Unit for the three months and year ended December 31, 2023 were \$1.03 and \$2.53, respectively, compared to \$0.39 and \$1.87, respectively, for the same periods in 2022. The increase of \$0.64 and \$0.66 per Unit for both the three months and year ended December 31, 2023, respectively, is primarily attributed to the increase in certain cash-based recurring income, such as royalty income, which is included in comprehensive earnings. Royalty income increased by \$54,466 and \$71,639 during the three months and year ended December 31, 2023, respectively, compared to the same periods in 2022, as described on pages 11 and 18 of this MD&A.

FINANCIAL REVIEW: FINANCIAL POSITION

As at December 31, 2023, the Trust had consolidated total assets of \$834,957 (2022 – \$633,419) and consolidated total liabilities of \$273,460 (2022 – \$261,078). The following table presents the components of consolidated total assets and total liabilities as at December 31, 2023 and December 31, 2022, followed by a discussion of significant categories of assets and liabilities.

	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	706,105	518,134
Loan receivable	—	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	\$ 5,043	\$ 5,542
Distributions payable to Unitholders	19,230	2,834
Performance fees payable	5,918	—
Current portion of credit facility	48,750	34,571
Current portion of unit-based compensation liability	1,499	509
Other current liabilities	1,241	6,936
Current liabilities	81,681	50,392
Credit facility	96,728	210,417
Preferred Securities	93,250	—
Derivative instruments	1,089	—
Unit-based compensation liability	712	269
Total liabilities	\$ 273,460	\$ 261,078

Royalty assets

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 on page 7 of this MD&A. 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 for the Tzield royalty sale, as described on page 7 of this MD&A.

During the year ended December 31, 2023, the Trust recognized an impairment loss of \$9,216 (2022 – nil) related to the Natpara royalty asset, as described on page 4 of this MD&A. 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.

Loan receivable

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

On June 26, 2023, CTI prepaid all amounts outstanding under the loan agreement, resulting in a prepayment of \$54,771, which included \$50,000 for the principal balance outstanding, \$1,000 for exit fees, \$1,631 for accrued interest and \$2,140 for prepayment premiums. The loan prepayment was driven by Sobi's acquisition of CTI. As a result of the prepayment, the loan agreement between the Trust and CTI was terminated. The Trust maintains its royalty investment in Vonjo I pursuant to the purchase and sale agreement that was entered into on August 25, 2021, as described on page 8 of this MD&A.

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

The carrying amount of the Trust's loan receivable is 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

Distributions payable to Unitholders

As at December 31, 2023, the Trust had distributions payable of \$19,230, representing a quarterly cash distribution declared on November 13, 2023 and a special cash distribution declared on December 20, 2023 to Unitholders of record as at December 31, 2023, which were paid on January 19, 2024.

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

The Trust pays a quarterly distribution in accordance with its distribution policy, as described in note 9 to the consolidated financial statements.

Credit facility and Preferred Securities

Credit facility

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

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

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

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 maturity date of the amended credit facility was extended 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).

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

The decrease in the carrying amount of the amended credit facility is attributed to the voluntary principal repayments made by the Trust during the year ended December 31, 2023 of \$294,422 (2022 – \$30,526), using the proceeds from the issuance of the Preferred Securities, as described below, and the proceeds from the Trust's sale of its royalty interest in Tzield, as described on page 7 of this MD&A. During the year ended December 31, 2023, the Trust also made regular principal repayments of \$37,909 (2022 – \$18,072), for total credit facility repayments of \$332,331 (2022 – \$48,598).

The decrease in the carrying amount was partially offset by drawings made to fund the royalty transactions, as described on page 7 of this MD&A. The details of the draws are presented below:

	Draw Date	Facility	Amount
Tzield ⁽ⁱ⁾	March 6, 2023	Acquisition credit facility	\$ 70,000
Empavelli/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

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

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

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 on page 8 of this MD&A. The Trust 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 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 on page 6 of this MD&A. 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 that provided gross proceeds of \$95,000 to the Trust through the sale of \$95,000 principal amount of Series A Preferred Securities, \$19,760 principal amount of Series B Preferred Securities and the issuance of the Warrants. The proceeds were used to finance transactions and repay amounts owing under the Trust's amended credit facility. The Warrants are further described on page 31 of this MD&A. The Preferred Securities are unsecured, subordinated debt securities of the Trust. The Preferred Securities will initially pay cash interest at a rate of 7.04% per annum on the principal amount of the Preferred Securities, payable semi-annually on June 30 and December 31 of each year.

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

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

The Trust initially recognized the Preferred Securities using a discount rate of 12.77%, which is indicative of the fair market value of the Preferred Securities at the time of issuance. The carrying amount of the Preferred Securities is accreted to its par value up until December 27, 2027, which is the date at which the Series A Preferred Securities may be redeemed by the Trust and the stated maturity date for the Series B Preferred Securities. Deferred transaction costs of \$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	\$	—

FINANCIAL REVIEW: CASH FLOWS

The Trust generated the following cash flows during the years ended December 31, 2023 and 2022.

		Year ended December 31, 2023		Year ended December 31, 2022
Cash and cash equivalents – beginning of period	\$	36,686	\$	61,712
Cash provided by operating activities		77,281		77,469
Cash provided by (used in) financing activities		78,571		171,173
Cash provided by (used in) investing activities		(129,703)		(273,668)
Change in cash and cash equivalents		26,149		(25,026)
Cash and cash equivalents – end of period	\$	62,835	\$	36,686

During the year ended December 31, 2023, the Trust generated cash flows provided by operating activities of \$77,281 (2022 – \$77,469) primarily related to cash royalties received.

For the year ended December 31, 2023, the Trust generated cash flows of \$78,571 from financing activities. The Trust completed a Private Placement, as described on page 29 of this MD&A. The Private Placement provided proceeds to the Trust of \$91,750, net of transaction fees. The Trust also completed two follow-on public offerings of its Units, as described on page 30 of this MD&A. The follow-on offerings provided proceeds to the Trust of \$144,532, net of issuance costs. The Trust borrowed \$233,715 from its amended credit facility to fund royalty asset transactions, as described on page 6 of this MD&A, and used cash flows of \$332,331 to make principal repayments, \$22,589 to make related interest payments and \$2,056 to pay debt issuance costs. During the same period, the Trust also used cash flows of \$1,769 to repurchase Trust Units under its NCIB plan and paid cash distributions of \$32,681 to Unitholders. For the year ended December 31, 2022, the Trust generated \$171,173 in cash provided by financing activities. The Trust borrowed \$250,000 from its amended credit facility to fund royalty asset transactions and used cash flows of \$48,598 to make principal repayments, \$1,968 to make related interest payments and \$773 to pay debt issuance costs. During the same period, the Trust also used cash flows of \$7,263 to repurchase Trust Units under its NCIB plan, and paid cash distributions of \$20,225 to Unitholders.

For the year ended December 31, 2023, the Trust used cash flows of \$129,703 in investing activities. The Trust used cash flows of \$391,186 for the royalty asset transactions, as described on page 7 of this MD&A, and the Vonjo I milestone payment, as described on page 8 of this MD&A. The Trust also used cash flows of \$4,921 to pay for the royalty asset transaction costs. The Trust generated cash flows of \$210,000 from the sale of its royalty interest in Tzield, as described on page 7 of this MD&A. The Trust also received repayment of its outstanding loan receivable of \$53,140 and cash interest of \$3,264 related to the loan receivable, as described on page 26 of this MD&A. For the year ended December 31, 2022, the Trust used cash flows of \$273,668 in investing activities primarily related to the royalty asset transactions, as described on page 8 of this MD&A. During the same period, the Trust also received cash interest of \$5,387 related to the loan receivable.

EQUITY

Authorized equity

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

Units

Each Unit represents a proportionate undivided beneficial ownership interest in the Trust, which entitles the holder to one vote, participation in distributions made by the Trust on a pro rata basis and, in the event of the termination or winding-up of the Trust, in the pro rata share of its net assets remaining after the satisfaction of all its liabilities. Units are discussed in further detail in note 9 to the consolidated financial statements. As at December 31, 2023, 56,358,240 Units (2022 – 37,790,395 Units) were outstanding at a cost of \$561,503 (2022 – \$373,577).

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 offering of Units

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

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

Settlement of vested Restricted Units

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

Restricted Units Grant Date:	Units Issued on Settlement of Restricted Units	
	December 31, 2023	December 31, 2022
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

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

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

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

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

Preferred Units

Preferred Units rank on a parity with the Preferred Units of every other series and are entitled to preference over our Units and any other of our Units ranking junior to the Preferred Units with respect to payment of distributions. Preferred Units are discussed in further detail in note 9 to the consolidated financial statements. As at December 31, 2023, no Preferred Units had been issued or were outstanding (2022 – nil).

Warrants

In connection with the Private Placement, as described on page 29 of this MD&A, the Trust issued 6,369,180 Warrants to the Private Placement investors. Each Warrant entitles the holder thereof to acquire one Unit of the Trust for an exercise price of \$11.62 at any time until the expiry of the Warrant on February 8, 2028. The Warrant exercise price represents a 106% premium to the volume weighted average price of the Trust's Units for the 20 trading days ending February 7, 2023. The Warrants are not listed on any stock exchange, although the underlying Units of the Trust issuable pursuant to the Warrants are listed on the TSX. The Warrants are included in other equity. Transaction costs associated with the issuance totaled \$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

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. The Unit distribution represented 4,651,782 Units that were immediately consolidated and thus did not impact the total number of Units outstanding. 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. The Unit distribution represented 1,094,397 Units that were immediately consolidated and thus did not impact the total number of Units outstanding.

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.

LIQUIDITY AND CAPITAL RESOURCES

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 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.

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

The Trust's primary ongoing source of liquidity is cash provided by operating activities. The Trust generated \$77,281 of cash provided by operating activities during the year ended December 31, 2023.

Additionally, the Trust completed the Private Placement on February 8, 2023, as described on page 29 of this MD&A. The Private Placement provided gross proceeds to the Trust of \$95,000 through the sale of \$95,000 principal amount of Series A Preferred Securities, \$19,760 principal amount of Series B Preferred Securities and the issuance 6,369,180 Warrants, further increasing the Trust's capital.

The Trust also amended its credit facility on March 30, 2023. 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 on page 27 of this MD&A.

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.

The Trust believes its existing capital resources and cash provided by operating activities will continue to allow the Trust to meet its operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of its credit facility for the foreseeable future.

As at December 31, 2023, the Trust was in compliance with all externally imposed capital requirements.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

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

On November 25, 2022, the Trust entered into the Xenpозyme transaction, as described on page 10 of this MD&A. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional consideration of up to \$26,500 in the event that cumulative royalties received by the Trust on Xenpозyme sales exceed certain thresholds within a predefined period of time.

On April 3, 2023, the Trust entered into the Empaveli/Syfovre transaction, as described on page 7 of this MD&A. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional consideration of up to \$4,000 in the event that Empaveli/Syfovre sales exceed certain thresholds within a predefined period of time.

On August 14, 2023, the Trust entered into the Orserdu II transaction, as described on page 8 of this MD&A. In accordance with the royalty agreement, the Trust is obligated to pay a \$10,000 milestone to the royalty seller upon the occurrence of pre-specified events.

On August 16, 2023, the Trust entered into a pledge agreement with Mayo Clinic. In accordance with the terms of the agreement, the Trust intends to contribute \$5,000 in total (\$1,000 annually, payable in quarterly installments) to Mayo Clinic to directly support and further the Center for Regenerative Biotherapeutics. The first two installments totaling \$500 were paid in 2023. The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at December 31, 2023.

Subsequent to December 31, 2023, the Trust amended the existing Omidria royalty agreement, as described on page 8 of this MD&A. In accordance with the terms of the royalty agreement, the royalty seller may be entitled to additional considerations of up to \$55,000 in the event that Omidria sales exceed certain thresholds within a predefined period of time.

RELATED-PARTY TRANSACTIONS

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

Management fees

Under the management agreement, the Trust is required to pay quarterly management fees to its manager or its affiliates equal to 6.50% of total cash receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter, as described in note 2(n) to the Trust's consolidated financial statements. During the year ended December 31, 2023, the Trust recorded management fees to its manager of \$22,335 (2022 – \$6,532), \$82 of which was payable as at December 31, 2023 (2022 – nil). Management fees for the year ended December 31, 2023 include \$13,650 earned by the manager on the sale of the Tzield royalty asset, as discussed on page 7 of this MD&A.

Performance fees

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

The Trust recorded performance fees of \$24,534 during the year ended December 31, 2023 (2022 – nil). On April 27, 2023, the Trust sold its royalty interest in Tzield for \$210,000, as described on page 7 of this MD&A. As a result, the conditions for performance fee payments to the manager 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 on page 7 of this MD&A, and 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 on page 16 of this MD&A.

During the year ended December 31, 2023, the Trust issued 32,730 RUs which vested immediately and were settled, net of withholding taxes, with 15,209 Units issued. To date, the Trust has issued 24,964 Units on the vesting of the RUs, of which 2,584 were issued in 2021, 3,376 were issued in 2022 and 19,004 were issued in 2023. During the year ended December 31, 2023, the Trust recorded unit-based compensation expense of \$396, respectively (2022 – \$70) related to the RU issuance and the accretion of the related distribution equivalent Units.

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 to the Trust's consolidated financial statements. The Trust added the following new accounting policies in the current year, as described below.

Warrants

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

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

Derivative financial instruments and hedge accounting

The Trust uses derivative financial instruments such as interest rate swaps to manage its exposure to interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are used only for economic 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 (loss).

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

CRITICAL ACCOUNTING 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. Judgments, estimates and assumptions are reviewed by management on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements.

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.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Trust believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

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 the 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 comprehensive earnings (loss).

Impairment of royalty assets

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

Acquisitions

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

RISK FACTORS

Certain financial and non-financial risks may adversely impact the Trust's business, financial performance, financial condition, cash flows and the trading price of the Units. Other risks and uncertainties that the Trust does not currently consider to be material, or of which it is not currently aware, may also become important factors that affect the Trust's future business, financial condition, results of operations, cash flows and the trading price of the Units.

The Trust's annual information form provides a comprehensive list of risks identified by management under "Risk Factors". In addition to those risks, management has identified financial risks described below.

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.

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.

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 credit facility.

Foreign exchange risk

Foreign exchange risk 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.

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 on page 27 of this MD&A. As the interest rate on the credit facility is dependent on the Trust's leverage ratio, the Trust maintains 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 on page 6 of this MD&A. 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.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Chief Executive Officer and the Chief Financial Officer of the Trust have designed or caused to be designed under their supervision disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under the relevant securities legislation.

As at December 31, 2023, management had assessed, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, that the Trust's disclosure controls and procedures are effective in accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting in accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Chief Executive Officer and the Chief Financial Officer of the Trust have designed or caused to be designed under their supervision internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS. However, due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

As at December 31, 2023, management had assessed, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, that the Trust's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes to the internal control over financial reporting during the year ended December 31, 2023 that have materially affected or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

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 on page 27 of this MD&A.

Restricted Unit grant

On January 10, 2024, the Trust granted 391,360 RUs subject to vesting conditions, as described on page 14 of this MD&A.

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 on page 9 of this MD&A. 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 through drawings from the Trust's amended credit facility, as described page 27 of this MD&A.

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.