



DRI HEALTHCARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR Q3 2021

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BASIS OF PRESENTATION	1
ADDITIONAL INFORMATION	1
FORWARD-LOOKING INFORMATION	1
REFERENCES AND DEFINED TERMS	2
USE OF NON-IFRS MEASURES	2
OVERVIEW OF THE TRUST	3
BUSINESS AND STRATEGY OVERVIEW	3
FINANCIAL REVIEW: RESULTS OF OPERATIONS	7
FINANCIAL REVIEW: NON-IFRS FINANCIAL MEASURES	11
FINANCIAL REVIEW: FINANCIAL POSITION	16
FINANCIAL REVIEW: CASH FLOWS	18
EQUITY	18
LIQUIDITY AND CAPITAL RESOURCES	19
OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS	20
RELATED PARTY TRANSACTIONS	20
CHANGES IN ACCOUNTING POLICIES	20
CRITICAL ACCOUNTING ESTIMATES	21
RISK FACTORS	21
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING	23
SUBSEQUENT EVENTS	24

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR Q3 2021

BASIS OF PRESENTATION

The following interim Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (the "**Trust**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited interim consolidated financial statements (the "**consolidated financial statements**") of the Trust for the three and nine months ended September 30, 2021, including the accompanying notes to such financial statements. The consolidated financial statements of the Trust have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") and its interpretations adopted by the International Accounting Standards Board ("**IASB**").

The Trust had no operations prior to the completion of its initial public offering and concurrent private placement on February 19, 2021, as described on page 3 of this MD&A. Therefore, the discussions in this MD&A have been limited to the operations of the Trust from February 19, 2021 to September 30, 2021, unless otherwise noted.

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

The Board of Trustees has approved this disclosure.

This MD&A is dated as of November 8, 2021.

ADDITIONAL INFORMATION

Additional information relating to the Trust is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

FORWARD-LOOKING INFORMATION

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

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

Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, those described in greater detail under "Risk Factors" in the Trust's most recent annual information form, available under our profile on SEDAR at www.sedar.com.

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

REFERENCES AND DEFINED TERMS

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

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

USE OF NON-IFRS 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-IFRS 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-IFRS measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. These non-IFRS 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-IFRS 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.

The Trust’s uses, definition and calculation methodology, and the reconciliations of these non-IFRS financial measures 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-IFRS Financial Measures* on page 11 of this MD&A. The Trust has presented the following non-IFRS measures in this MD&A:

- Total Cash Royalty Receipts;
- Adjusted EBITDA;
- Adjusted EBITDA Margin; and
- Adjusted Cash Earnings per Unit.

OVERVIEW OF THE TRUST

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

DRI Capital Inc. (“**DRI Capital**”, “**our manager**” or the “**manager**”) provides management and other services to us, and also provides the services of certain employees of DRI Capital who act as executive officers of the Trust, pursuant to the terms of a management agreement.

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

On February 19, 2021, the Trust completed its initial public offering and concurrent private placement of units. In connection with its initial public offering, the Trust issued 36,527,000 units at \$10.00 per unit, for gross proceeds of approximately \$365 million. Concurrent with the completion of the initial public offering, DRI Capital and other investors purchased an aggregate of 3,580,407 units pursuant to a private placement at a price of \$9.70 per unit, for gross proceeds of approximately \$35 million. The units issued pursuant to the concurrent private placement are subject to resale restrictions under applicable laws. The total units issued pursuant to the initial public offering and concurrent private placement were 40,017,407, for combined gross proceeds of \$400 million. Transaction costs associated with the offerings totalled approximately \$22 million and were recorded as a reduction in unitholders' capital.

BUSINESS AND STRATEGY OVERVIEW

Business Overview

Our business model is to provide unitholders with differentiated exposure to the fast-growing pharmaceutical and biotechnology industries through ownership and acquisition of royalties on pharmaceutical products with a focus on delivering attractive growth in cash royalty receipts over the long term. We target royalties on medically necessary products for chronic or critical therapeutic areas with leading market positions, strong growth potential and long-lasting intellectual property, regulatory or legal protection, which are developed and marketed by leading life science companies.

Since 1989, DRI Capital has been at the forefront of the pharmaceutical royalty sector. Our manager has developed a disciplined strategy and has built a dedicated team of seasoned and highly specialized professionals, many of whom have a scientific background and education, that is focused on the identification, evaluation and acquisition of quality pharmaceutical assets that has executed on the acquisition of 64 royalty streams on 40 products with over \$2 billion in aggregate value.

As at September 30, 2021, our portfolio consisted of 17 royalty streams on 13 products that address chronic or critical therapeutic areas, such as oncology, rare diseases, ophthalmology, endocrinology, dermatology, autoimmune diseases and vaccines. Our portfolio includes royalties based on top-line sales of several blockbuster therapies, including Spinraza, Eylea and Xolair. Our products are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of an oncology product.

Unique Growth Strategy

Our growth strategy is focused on providing investors with top-line exposure to a portfolio of attractive therapeutics by executing royalty transactions on growth-oriented products, consistent with the core characteristics highlighted above, in the \$25 million to \$150 million size range. This target range is an underserved niche that optimizes the unique organizational assets that have been developed over the 32-year history of our manager, the extensive experience of our manager's employees, and its leadership and unparalleled reputation in the industry. Specifically, this target transaction range represents a hard-to-penetrate market in which we have unique advantages attributable to our hard-to-replicate assets, including an extensive database of over 6,500 royalties on over 2,000 pharmaceutical products and deep relationships developed by our manager's personnel with a broad range of counterparties, including individual inventors and institutions with smaller entitlements, biotech firms seeking non-dilutive sources of financing and pharma companies seeking transactions below their reporting thresholds. Further, our target range, which is out of the scope of other royalty buyers such as larger-cap public companies, institutional asset managers and pension funds, combined with our unique relationship-driven approach, gives us the flexibility to structure bespoke, proprietary, "win-win" transactions on high-quality royalty streams tailored to the immediate and long-term objectives of royalty holders.

Overall, our objective is to purchase between \$650 million and \$750 million of royalties in our first five years as a public company, which will allow us to generate sustainable annual growth in cash royalty receipts. We expect to fund these acquisitions using our cash on hand, cash generated from our royalty assets and the use of leverage.

We intend to fulfill our growth strategy primarily by pursuing traditional and synthetic pharmaceutical royalty transactions. Traditional royalty investing involves a purchaser, such as the Trust, acquiring an existing royalty that was granted to an inventor, academic institution or drug developer as part of a licensing agreement in which a pharmaceutical marketer obtains a license to use intellectual property or know-how to develop and commercialize a product. Synthetic royalty transactions involve the creation of a new royalty stream in which the purchaser, such as the Trust, contracts directly with a pharmaceutical marketer to receive a portion of top-line product sales. As biotechnology companies continue to conduct their own R&D to bring internally developed technologies to market, synthetic royalties have become an increasingly important tool for these companies to finance ongoing capital requirements through non-dilutive means. We will also selectively consider other opportunities to grow our asset base, including through the deployment of capital through lending arrangements and other instruments backed by pharmaceutical products and companies.

Our Assets

The Trust's assets currently comprise royalties on products that address therapeutic areas such as oncology, rare diseases, ophthalmology, dermatology and autoimmune diseases, and are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of an oncology product.

We group our portfolio of royalty assets based on the expected expiry of the royalty rights in the underlying product's primary royalty-bearing geography. Our royalty assets include Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021; Mature Products, for which royalty entitlements in primary geographies are expected to expire before December 31, 2021; and Other Products, for which royalty entitlements have substantially expired in accordance with their terms or are not individually material.

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 that permit the sale of a product in the relevant market, the competitive landscape for the product, whether the product is recommended for use by health agencies or medical professional associations, and the extension of a product for additional indications, which we sometimes refer to as product extensions.

Key Developments Related to Royalty Assets

Eylea I & II (Core Products)

In May 2021, Novartis announced that it had decided to terminate the study testing a more frequent application of brolicizumab or Beovu than currently approved by the United States Food and Drug Administration due to safety concerns. Beovu is used to treat neurovascular age-related macular degeneration, a condition that is also treated by Eylea. Novartis also terminated two additional studies to assess the efficacy and safety of Beovu in retinal vein occlusion.

Natpara (Core Products)

In September 2019, as a result of manufacturing and delivery-related difficulties, Takeda ceased product sales in the United States. In January 2020, Takeda announced that there would be a delay of more than one year in bringing Natpara back to the United States market.

On March 31, 2021, Takeda announced that although it had made progress on the issue of rubber particulates originating from the rubber septum of the Natpara cartridge that led to the recall in the United States, Takeda had not yet reached a resolution and did not expect a return to the United States market before March 31, 2022. On September 15, 2021, Takeda announced that it had submitted a Prior Approval Supplement to the FDA as part of its efforts to address the issue. We continue to monitor the developments related to Natpara and expect to reach the contractual cap on cumulative royalty receipts in the fourth quarter of 2024 compared to previous expectations to reach the contractual cap by the third quarter of 2024.

Spinraza (Core Products)

In March 2021, Roche announced that Evrysdi (risdiplam), an oral therapeutic for patients with spinal muscular atrophy, was granted approval in the European Union. Spinal muscular atrophy is a condition treated with Spinraza. Evrysdi was previously approved in the United States in August 2020.

In June 2021, Biogen released updates from its ongoing clinical trials for Spinraza. According to Biogen, results continued to demonstrate Spinraza's efficacy profile in presymptomatic infant patients and continued to show long-term benefits in adult patients. Additionally, Biogen reported that other trials investigating high-dose Spinraza consumption have supported the safety profile of a higher dose regimen.

Xolair (Core Products)

In April 2021, Roche and Novartis announced that the U.S. Food and Drug Administration ("FDA") had approved prefilled syringes of Xolair for self-injection in appropriate patients across all treatment indications approved in the United States, giving patients the flexibility to administer Xolair at home.

Rilpivirine Portfolio (Mature Products)

In accordance with the terms of the royalty agreement of the Rilpivirine Portfolio, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.

Transactions

Initial Public Offering and Private Placement

On February 19, 2021, the Trust completed its initial public offering and concurrent private placement of units, as described on page 3 of this MD&A.

Closing Transactions

Following the closing of the initial public offering, as described on page 3 of this MD&A, we completed the acquisition of an initial portfolio of royalty assets and certain other net assets held by certain private funds managed by DRI Capital, for approximately \$293 million ("**Closing Transactions**"). The royalty assets consisted primarily of a portfolio of 18 royalties derived from the sale of 14 pharmaceutical products focused on eight therapeutic areas. As part of the transaction, we assumed the outstanding securitization indebtedness associated with certain royalty assets.

The following table presents the allocation of the purchase price paid to acquire the net assets.

Assets	
Cash and cash equivalents	\$ 14,707
Royalties receivable	55,190
Funds held in trust	128
Derivative assets	219
Other current assets	196
Royalty assets	291,462
Restricted cash	1,435
	363,337
Liabilities	
Accounts payable and accrued liabilities	(743)
Secured notes payable	(69,924)
	(70,667)
Net acquired assets	\$ 292,670

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

CTI Loan and Pacritinib Transaction

On August 25, 2021, the Trust entered into an agreement with CTI BioPharma Corp. ("**CTI**") to provide \$50,000 in secured debt the proceeds of which will be used by CTI to fund the commercialization of pacritinib for the treatment of myelofibrosis with severe thrombocytopenia. The loan receivable bears interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. The Trust is also entitled to receive an exit fee of 2% on the principal balance repaid. Interest payments are due on the last business day of the quarter. The principal amount of the loan is due on maturity.

Concurrently, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib upon the approval of the product by the FDA for \$60,000. CTI will be entitled to additional consideration of up to \$25,000 upon the achievement of certain sales milestones. CTI has a New Drug Application ("**NDA**") under priority review by the FDA with a Prescription Drug User Fee Act ("**PDUFA**") target action date of November 30, 2021, and is preparing for a potential commercial launch by the end of 2021.

In accordance with the terms of the royalty agreement, the Trust will be entitled to receive royalties equal to 9.6% on the first \$125,000 of annual net sales in the United States, 4.5% on annual net sales in the United States between \$125,000 and \$175,000, 0.5% on annual net sales in the United States between \$175,000 and \$400,000, and will have no entitlement to royalties on annual net sales in the United States exceeding \$400,000. Royalties will be collected with a one quarter lag.

Oracea Transaction

On September 30, 2021, the Trust acquired royalties on Oracea for \$50,500. As part of the transaction, the Trust acquired interests in two additional royalty assets which are not expected to make a material contribution to the Trust's royalty income.

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

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

Omnibus Equity Incentive Plan ("**Incentive Plan**")

On September 10, 2021, the Trust granted 117,500 Restricted Units ("**RUs**") under its Incentive Plan which vest equally over a three-year period. An additional 698 distribution equivalent RUs related to the September 10, 2021 grant were issued in connection with the Trust's third quarterly dividend. For the three months ended September 30, 2021, unit-based compensation expense and the corresponding liability related to the awards totalled \$25.

On October 1, 2021, the Trust granted 15,343 RUs, which were immediately vested and converted to units. On October 8, 2021, the Trust further granted 150,000 RUs subject to vesting conditions.

Further details on the Trust's Incentive Plan are provided in note 2 to the interim consolidated financial statements.

Normal course issuer bid ("**NCIB**")

On September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 1,500,000 units of the Trust for cancellation between October 5, 2021 and October 4, 2022. In connection with the NCIB, the Trust established an automated unit repurchase plan ("**AUPP**"), whereby units of the Trust may be repurchased at the discretion of a broker party to the AUPP using commercially reasonable efforts and subject to trading parameters defined in the AUPP. The NCIB program is further discussed on page 19 of this MD&A.

Credit Agreement

On October 22, 2021, the Trust entered into a credit agreement comprised of (i) a \$175,000 senior secured revolving acquisition credit facility ("**acquisition credit facility**") with an initial amount drawn used to fully repay the existing secured notes and the remaining capacity to be used for financing future acquisitions and (ii) a \$25,000 senior secured revolving working capital facility ("**working capital credit facility**") the proceeds from which are to be used for general business purposes or to finance future acquisitions. The credit facilities bear interest at LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio. The unused portion of the revolving credit facilities is subject to an interest charge of 0.40% to 0.50% based on the Trust's leverage ratio. Interest payments on both credit facilities are due on a quarterly basis. The borrowings under the credit agreement mature on October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining the lender's approval. Principal repayments of 3.75% of the outstanding acquisition credit facility balance are due quarterly, with no corresponding decrease in the borrowing capacity. Principal repayments on the working capital credit facility are to be made on maturity. The Trust is subject to certain financial as well as customary non-financial covenants under the credit agreement. Substantially all of the assets of the Trust are pledged as collateral under the credit agreement.

FINANCIAL REVIEW: RESULTS OF OPERATIONS

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As a result, this MD&A does not contain comparative information and the discussions that follow refer to the Trust's financial performance during the three and nine months ended September 30, 2021 only. The Trust commenced its operations on February 19, 2021, the date of the completion of its public and private offerings, and as such, results of its operations for the nine months ended September 30, 2021 primarily reflect operating results from February 19, 2021.

During the three and nine months ended September 30, 2021, the Trust generated total income of \$23,409 and \$59,551 and total expenses of \$15,774 and \$41,350, respectively. The following table presents the components of net earnings and other comprehensive earnings and is followed by a discussion on the nature of significant sources of income and categories of expenses.

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Income		
Royalty income	\$ 22,861	\$ 59,000
Interest income on loan receivable	544	544
Other interest income	4	7
Total income	23,409	59,551
Expenses		
Amortization of royalty assets	11,125	28,923
Management fees	1,113	4,163
Interest expense	383	1,111
Servicer and other fees	400	978
Deal investigation and research costs	602	1,531
Unit-based compensation	25	25
Other operating expenses	1,463	4,036
Other items	718	718
Net loss on interest rate derivatives	3	—
Net gain on foreign exchange derivatives	(58)	(135)
Total expenses	15,774	41,350
Net earnings and other comprehensive earnings	\$ 7,635	\$ 18,201

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, license 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; however, 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. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned.

The Trust earned royalty income related to the assets acquired in the Closing Transactions from February 19, 2021, the date on which it obtained control of the royalty assets. The Trust acquired control of the assets acquired in the Oracea transaction on September 30, 2021 and, as a result, has not recorded any income related to those assets for the three and nine months ended September 30, 2021.

	Three months ended September 30, 2021 ⁽ⁱ⁾	Nine months ended September 30, 2021 ⁽ⁱ⁾
Core Products		
Eylea I	\$ 3,256	\$ 7,462
Eylea II	1,447	3,316
FluMist	1,863	1,887
Natpara	538	1,329
Rydapt	2,299	7,064
Spinraza	4,708	12,021
Xolair	2,129	6,013
Zytiga	4,452	10,403
Total Core Products	20,692	49,495
Mature Products		
Autoimmune Portfolio ⁽ⁱⁱ⁾	1,905	6,160
Rilpivirine Portfolio ⁽ⁱⁱⁱ⁾	—	2,899
Total Mature Products	1,905	9,059
Other Products^(iv)		
	264	446
Total Royalty Income	\$ 22,861	\$ 59,000

(i) Includes royalty income from royalty assets from the date on which the Trust obtained control over the royalty assets. The Trust obtained control over the assets acquired in the Closing Transactions on February 19, 2021. For the assets acquired in the Oracea Transaction, the Trust obtained control on September 30, 2021 and, as a result, has not recorded royalty income related to those assets during the three and nine months ended September 30, 2021.

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

(iii) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. In accordance with the terms of the royalty agreement of the Rilpivirine Portfolio, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.

(iv) 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 generally expired.

Interest income

Interest income is primarily comprised of interest earned on the loan receivable from CTI, as described on page 6 of this MD&A. For the period from August 25, 2021, the date when the loan receivable was funded, and ending on September 30, 2021, the Trust recorded interest income of \$544, comprised of \$514 related to the loan receivable, \$10 related to the amortization of the commitment fee and \$20 related to the accretion of the exit fee.

Amortization of royalty assets

Royalty assets are amortized over the estimated useful life of the assets, as described in note 2(c) to the interim consolidated financial statements. The Trust amortizes its royalty assets from the date on which it obtains control of the assets.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 20 of this MD&A. Management fees for the nine months ended September 30, 2021 have been prorated to reflect the effective date of February 19, 2021 of the management agreement.

Interest expense

The Trust incurs interest expense related to its secured notes, as described on page 17 of this MD&A. The Trust assumed the obligation for secured notes on February 19, 2021, as described on page 5 of this MD&A. Interest expense for the nine months ended September 30, 2021 has been prorated to reflect the date on which the Trust assumed the obligation for the secured notes.

On October 22, 2021, the Trust entered into a credit agreement, as described on page 7 of this MD&A.

Servicer and other fees

Our manager provides administrative services to the Trust for servicing the secured notes pursuant to a servicing agreement. Servicer and other fees of \$400 are paid on a quarterly basis, totalling \$1,600 annually. Servicer fees for the nine months ended September 30, 2021 have been prorated to reflect the date on which the Trust assumed the obligation for the secured notes, as described on page 6 of this MD&A.

On October 22, 2021, the secured notes were fully repaid and the Trust entered into a credit agreement, as described on page 7 of this MD&A. Accordingly, the servicing agreement in connection with the secured notes was terminated.

Deal investigation and research costs

Deal investigation and research costs include the ongoing costs associated with the Trust's research, due diligence and other expenses necessary for the assessment of potential investment opportunities and the successful execution of acquisition transactions. During the three and nine months ended September 30, 2021, the Trust recorded deal investigation and research expenses of \$602 and \$1,531, respectively.

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 Incentive Plan, as described in note 2 to the interim consolidated financial statements.

On September 10, 2021, the Trust granted 117,500 RUs which, vest equally over a three-year period. An additional 698 distribution equivalent RUs related to the September 10, 2021 grant were issued in connection with the Trust's third quarter distribution. For the three months ended September 30, 2021, unit-based compensation expense and the corresponding liability related to the awards totalled \$25.

No Options, Performance Units ("PUs") or Deferred Units ("DUs") were granted as at September 30, 2021.

On October 1, 2021, the Trust granted 15,343 RUs, which were immediately vested and converted to units. On October 8, 2021, the Trust further granted 150,000 RUs subject to vesting conditions.

Other operating expenses

Other operating expenses include fees paid to the board of trustees, as well as other ongoing operating expenses, including consulting, legal and audit fees, required to operate our business.

During the three and nine months ended September 30, 2021, the Trust recorded operating expenses of \$1,463 and \$4,036, respectively.

The Trust's operating and other expenses by nature were as follows:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Professional fees	\$ 739	\$ 1,531
Board of trustee fees	104	395
Other	620	2,110
Total other operating expenses	\$ 1,463	\$ 4,036

Other items

During the quarter, the Trust recorded other current liabilities of \$718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of \$194 was used to reduce the obligation during the quarter. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of \$524 for the past overpayments recorded in other current liabilities.

Net loss (gain) on derivative instruments

Net loss (gain) on derivative instruments represents net unrealized changes in the fair value of the Trust's interest rate and foreign exchange derivative contracts. The Trust enters into interest rate cap contracts to mitigate its exposure to interest rate risk related to its secured notes, as described on page 17 of this MD&A. The Trust enters into foreign exchange option contracts to mitigate its exposure to volatility in non-U.S. dollar denominated royalty bearing sales related to its royalty assets.

During the three and nine months ended September 30, 2021, the Trust recorded a net loss of \$3 and net no change, respectively, related to interest rate derivatives, and a net gain of \$58 and \$135, respectively, related to foreign exchange derivatives.

Weighted average number of units

The Trust generated basic and fully diluted net comprehensive earnings per unit of \$0.19 and \$0.55 during the three and nine months ended September 30, 2021, respectively. Weighted average number of units outstanding for the purpose of calculating earnings per unit was as follows:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Basic	40,107,407 units	32,908,642 units
Diluted	40,107,407 units	32,908,642 units

Summary of quarterly results

The following table provides the Trust's quarterly results since the date of formation.

	September 30, 2021	June 30, 2021	March 31, 2021
Total income	\$ 23,409	\$ 23,451	\$ 12,691
Total expenses	(15,774)	(16,076)	(9,500)
Net earnings	\$ 7,635	\$ 7,375	\$ 3,191
Net earnings per unit – basic	\$ 0.19	\$ 0.18	\$ 0.17
Net earnings per unit – diluted	\$ 0.19	\$ 0.18	\$ 0.17

FINANCIAL REVIEW: NON-IFRS FINANCIAL MEASURES

The Trust reports certain non-IFRS financial measures, including Total Cash Royalty Receipts, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit.

Total Cash Royalty Receipts

Total Cash Royalty Receipts refers to all cash royalty receipts rather than cash royalty receipts in respect of a particular product. Because of the lag between when we record royalty income and receive the corresponding cash payments on our royalties, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash generated in respect of all royalty assets held during a period.

In its consolidated financial statements, the Trust has recorded cash royalties received for the period from the date of our acquisition of the royalty assets by the Trust to September 30, 2021, as described on page 5 of this MD&A.

The cash royalty receipts presented for the three and nine months ended September 30, 2020 were received prior to the Trust acquiring ownership of the royalty assets, and are presented on a pro forma basis for information purposes. This presentation aims to assist with the assessment of the performance of those royalty assets had the Trust held those assets during the defined periods. Pro forma cash royalty receipts during the three and nine months ended September 30, 2021 and 2020 include the Trust's entitlement to cash royalty receipts for the period from January 1, 2020 to February 18, 2021 related to the assets acquired in the Closing Transactions, as described on page 5 of this MD&A. Pro forma cash royalty receipts for the three and nine months ended September 30, 2021 also include the Trust's entitlement to cash royalty receipts generated for the period from April 1, 2021 to June 30, 2021 related to the assets acquired in the Oracea Transaction, which were used to reduce the total cash compensation paid in the transaction, as described on page 6 of this MD&A.

Product	Pro forma cash Royalty Receipts for the three months ended September 30, 2021	Pro forma Cash Royalty Receipts for the three months ended September 30, 2020 ⁽ⁱⁱ⁾	% Change	Pro forma Cash Royalty Receipts for the nine months ended September 30, 2021 ⁽ⁱ⁾	Pro forma Cash Royalty Receipts for the nine months ended September 30, 2020 ⁽ⁱⁱ⁾	% Change
Core Products						
Eylea I ⁽ⁱⁱⁱ⁾	\$ —	\$ —	n/a	\$ 6,040	\$ 5,427	11 %
Eylea II ⁽ⁱⁱⁱ⁾	—	—	n/a	2,684	2,411	11 %
FluMist	7	—	n/a	2,269	1,172	94 %
Natpara	551	355	55 %	1,574	960	64 %
Oracea	3,711	—	n/a	3,711	—	n/a
Rydapt	2,313	1,873	23 %	8,770	6,552	34 %
Spinraza	4,326	5,030	(14)%	15,249	16,214	(6)%
Xolair	2,358	2,904	(19)%	6,041	6,701	(10)%
Zytiga ^(iv)	—	—	n/a	9,498	8,267	15 %
Total Core Products	13,266	10,162	31 %	55,836	47,704	17 %
Mature Products						
Autoimmune Portfolio ^{(v), (vi)}	1,493	2,935	(49)%	7,601	11,723	(35)%
Rilpivirine Portfolio ^(vii)	—	8,179	(100)%	14,368	23,886	(40)%
Total Mature Products	1,493	11,114	(87)%	21,969	35,609	(38)%
Other Products^(viii)						
Total Cash Royalty Receipts ^(ix)	\$ 15,447	\$ 21,630	(29)%	\$ 79,366	\$ 86,506	(8)%

- (i) Cash royalty receipts for the nine months ended September 30, 2021 represent the cash that the Trust would have received had the assets been acquired on January 1, 2021. The Trust was the beneficiary of such cash receipts and has recorded the increase in cash as a result of cash collections from January 1, 2021 to February 18, 2021 within cash and cash equivalents acquired, as described on page 5 of this MD&A. Cash royalty receipts for the three and nine months ended September 30, 2021, include the Trust's entitlement to cash royalties received from the assets acquired in the Oracea Transaction, as described on page 6 of this MD&A.
- (ii) Cash royalty receipts for the three and nine months ended September 30, 2020 represent the cash that was received by the Trust's current subsidiaries prior to completion of the Trust's acquisition of those subsidiaries and are presented on a pro forma basis.
- (iii) Third quarter cash royalties receivable from Eylea I and II were received subsequent to September 30, 2021 and 2020 and totalled \$4,718 and \$3,530, respectively.
- (iv) Cash royalties from Zytiga are received on a semi-annual basis during the second and fourth quarters of the year.
- (v) The Autoimmune Portfolio consists of an agreement to receive royalties on sales of Stelara, Simponi and Ilaris. The royalty assets include two royalty streams on each product, for a total of six royalty streams.
- (vi) During the quarter, the Trust recorded other current liabilities of \$ 718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of \$ 194 was used to reduce the obligation during the quarter. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of \$ 524 for the past overpayments recorded in other current liabilities.
- (vii) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. The Trust's entitlement to royalties ended during the second quarter of 2021 in accordance with the terms of the royalty agreement.
- (viii) 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.
- (ix) Total Cash Royalty Receipts is a non-IFRS measure.

Total Cash Royalty Receipts during the three months ended September 30, 2021 decreased by \$6,183 or 29% compared to the same period in 2020.

Core Products increased by \$3,104 or 31% during the quarter, primarily driven by higher cash royalty receipts from Rydapt and Natpara as a result of stronger market demand for the products during the quarter, and the inclusion of cash royalty receipts from Oracea. The increase in Core Products was partially offset by a decrease in royalties from Xolair and Spinraza, primarily driven by lower sales in the United States for both products and, for Xolair, the anticipated expirations of royalty entitlements in certain geographies. Third quarter cash royalties receivable from Eylea I and II were received subsequent to September 30, 2021 and 2020 and totalled \$4,718 and \$3,530, respectively.

Mature Products decreased by \$9,621 or 87% during the quarter, primarily driven by: (i) the expected expiry of royalty entitlements from the Rilpivirine Portfolio during the second quarter of 2021; and (ii) the expiry of royalty entitlement rights in major geographic areas and continued expiration in certain other geographies for the products underlying the Autoimmune Portfolio.

Other Products increased by \$334 or 94% during the three months ended September 30, 2021 due to contribution from other royalty assets acquired in the Oracea Transaction, partially offset by contractual expirations of certain royalty streams.

Total Cash Royalty Receipts during the nine months ended September 30, 2021 decreased by \$7,140 or 8% compared to the same period in 2020.

Core Products increased by \$8,132 or 17% during the nine months ended September 30, 2021, primarily driven by: (i) higher cash royalty receipts from Rydapt, Zytiga and Eylea I and II as a result of stronger market demand for the products; (ii) the inclusion of cash royalty receipts from Oracea; and (iii) an increase in cash collections from FluMist resulting from an increase in vaccination programs in the United States and the European Union beyond typical levels during the ongoing COVID-19 pandemic.

Mature Products decreased by \$13,640 or 38% during the nine months ended September 30, 2021, primarily driven by: (i) the expected expiry of royalty entitlement from the Rilpivirine Portfolio during the second quarter of 2021; and (ii) the continued expiration in certain major and other geographies for the products underlying the Autoimmune Portfolio.

Other Products decreased by \$1,632 or 51% during the nine months ended September 30, 2021 due to contractual expirations of royalty streams, partially offset by the contribution from royalty assets acquired in the Oracea Transaction.

The reconciliation of total cash royalty receipts to the most directly comparable measures calculated and presented in accordance with IFRS is presented below.

	Pro forma three months ended September 30, 2021		Pro forma nine months ended September 30, 2021	
Royalty income	\$	22,861	\$	59,000
[+] Royalties receivable, beginning of period		29,679		—
[-] Royalties receivable, end of period		(43,965)		(43,965)
[+] Acquired royalties receivable ⁽ⁱ⁾		2,930		58,120
[+] Acquired cash royalties received ⁽ⁱ⁾		4,136		6,405
[-] Non-cash royalty income ⁽ⁱ⁾		(194)		(194)
[=] Total Cash Royalty Receipts	\$	15,447	\$	79,366

(i) Acquired royalties receivable and acquired cash royalties received or used to reduce the net purchase price paid for the assets acquired by the Trust, as described on page 6 of this MD&A.

(ii) Royalty income of \$194 was used to reduce an obligation of excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset.

Had the third quarter cash royalties receivable of \$4,718 from Eylea I and II been received during the quarter, the Total Cash Royalty Receipts would have been \$20,165 and \$84,084 for the three and nine months ended September 30, 2021, respectively, on a pro forma basis.

Adjusted EBITDA

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

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

	Pro forma three months ended September 30, 2021	Pro forma nine months ended September 30, 2021
Net earnings and other comprehensive earnings	\$ 7,635	\$ 18,201
[+] Amortization of royalty assets	11,125	28,923
[-] Other interest income	(4)	(7)
[+] Interest expense	383	1,111
EBITDA	19,139	48,228
[+] Royalties receivable, beginning of period	29,679	—
[-] Royalties receivable, end of period	(43,965)	(43,965)
[+] Acquired royalties receivable ⁽ⁱ⁾	2,930	58,120
[+] Acquired cash royalties received ⁽ⁱ⁾	4,136	6,405
[+] Unit-based compensation	25	25
[+] Net loss on interest rate derivatives	3	—
[-] Net gain on foreign exchange derivatives	(58)	(135)
[+] Other items ⁽ⁱⁱ⁾	718	718
[-] Non-cash royalty income ⁽ⁱⁱⁱ⁾	(194)	(194)
[=] Adjusted EBITDA	\$ 12,413	\$ 69,202

(i) Acquired royalties receivable and acquired cash royalties received or used to reduce the net purchase paid for the assets acquired by the Trust, as described on page 6 of this MD&A.

(ii) During the quarter, the Trust recorded other current liabilities of \$ 718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset.

(iii) Royalty income of \$194 was used to reduce an obligation of excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset.

Had cash royalties receivable of \$4,718 from Eylea I and II been received during the quarter, the Adjusted EBITDA would have been \$17,131 and \$73,920 for the three and nine months ended September 30, 2021, respectively.

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.

The calculation of Adjusted EBITDA Margin is presented below.

	Pro forma three months ended September 30, 2021	Pro forma nine months ended September 30, 2021
Adjusted EBITDA	\$ 12,413	\$ 69,202
[+] Total Cash Royalty Receipts	\$ 15,447	\$ 79,366
[=] Adjusted EBITDA Margin	80 %	87 %

Had cash royalties receivable of \$4,718 from Eylea I and II been received during the quarter, the Adjusted EBITDA Margin would have been 85% and 88% for the three and nine months ended September 30, 2021, respectively.

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.

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

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Net earnings and other comprehensive earnings	\$ 7,635	\$ 18,201
[+] Amortization of royalty assets	11,125	28,923
[+] Unit-based compensation expense	25	25
[+] Net loss on interest rate derivatives	3	—
[-] Net gain on foreign exchange derivatives	(58)	(135)
[+] Other items ⁽ⁱ⁾	718	718
[-] Non-cash royalty income ⁽ⁱⁱ⁾	(194)	(194)
	\$ 19,254	\$ 47,538
[±] Weighted Average Number of Units	40,107,407	32,908,642
[=] Adjusted Cash Earnings per Unit	\$ 0.48	\$ 1.44

(i) During the quarter, the Trust recorded other current liabilities of \$ 718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset.

(ii) Royalty income of \$194 was used to reduce an obligation of excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset.

FINANCIAL REVIEW: FINANCIAL POSITION

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As at December 31, 2020 and prior to the completion of the Trust's initial public offering and concurrent private placement, the Trust had nominal assets and liabilities. As a result, this MD&A does not contain comparative information and the discussions that follow refer to the Trust's financial condition as at September 30, 2021 only.

As at September 30, 2021, the Trust had consolidated assets of \$445,129 and consolidated liabilities of \$53,584. The following table presents the components of consolidated assets and liabilities and is followed by a discussion of significant categories of assets and liabilities.

	As at September 30, 2021
Assets	
Cash and cash equivalents	\$ 33,767
Royalties receivable	43,965
Funds held in trust	7,369
Derivative assets	349
Other current assets	1,510
Current assets	86,960
Royalty assets, net of accumulated amortization	306,572
Loan receivable	49,530
Restricted cash	1,000
Other non-current assets	1,067
Non-current assets	358,169
Total assets	\$ 445,129
Liabilities	
Accounts payable and accrued liabilities	\$ 3,466
Distributions payable to unitholders	1,504
Current portion of secured notes	20,138
Other current liabilities	1,506
Current liabilities	26,614
Long-term portion of secured notes	26,945
Unit-based compensation liability	25
Total liabilities	\$ 53,584

Royalty assets

During 2021, the Trust acquired royalty assets totalling \$334,896, as described starting on page 5 of this MD&A. Capitalized transaction costs related to the acquisitions totalled \$599. As at September 30, 2021, the net book value of our royalty assets was \$306,572, net of accumulated amortization of \$28,923.

Loan receivable

On August 25, 2021, the Trust entered into an agreement with CTI to provide \$50,000 in secured debt, as described on page 6 of this MD&A. As at September 30, 2021, the gross principal balance of the loan receivable was \$50,000. A commitment fee of \$500 was received by the Trust and recorded as a reduction in the gross principal amount receivable. As at September 30, 2021, the principal balance of the loan receivable was reduced by the unamortized balance of the commitment fee of \$490 and included an accrued exit fee receivable of \$20.

Funds held in trust

Cash receipts from certain royalty assets are initially deposited into an escrow account in the name of the indenture trustee for our secured notes. The funds are distributed to the Trust on a quarterly basis, as described in note 6 to the interim consolidated financial statements. As at September 30, 2021, \$7,369 was recorded as funds held in trust.

On October 22, 2021, the Trust fully repaid its secured notes, as described on page 7 of this MD&A. Accordingly, the Trust is no longer subject to the requirement for holding cash royalty receipts in trust.

Restricted cash

Pursuant to the terms of the indenture agreement in connection with the outstanding secured notes, as described in note 11 to the interim consolidated financial statements, the Trust is required to maintain certain deposits in the name of the indenture trustee as a reserve for payment of interest, as well as an amount on deposit to be utilized to make any required contingent payments for royalty or equity assets. Restricted cash is further discussed in note 10 to the interim consolidated financial statements. As at September 30, 2021, the Trust had restricted cash of \$1,000.

On October 22, 2021, the Trust fully repaid its secured notes, as described on page 7 of this MD&A. Accordingly, the requirement for holding amounts in the reserve account was removed and the balance of restricted cash was transferred to cash and cash equivalents.

Distributions payable to unitholders

As at September 30, 2021, the Trust had distributions payable of \$1,504 representing the distribution declared on August 5, 2021 to unitholders of record as at September 30, 2021, which was paid on October 20, 2021. The Trust pays a quarterly distribution in accordance with its distribution policy, as described in note 12 to the interim consolidated financial statements.

Secured notes

In February 2021, in connection with the acquisition of royalty assets, as described on page 5 of this MD&A, the Trust assumed secured notes payable totalling \$69,924. As at September 30, 2021, the Trust's secured notes payable consisted of the following:

	Interest Rate	Stated Final Maturity		As at September 30, 2021
Series 2018-1 Class A-1	LIBOR+1.6%	October 15, 2031	\$	22,129
Series 2018-1 Class A-2	4.27%	October 15, 2031		24,954
Secured notes			\$	47,083
Current portion of secured notes				20,138
Long-term portion of secured notes				26,945
Secured notes			\$	47,083

Principal payments on the secured notes are made quarterly following a prescribed formula. Cash receipts from certain royalty assets that secure the notes are initially deposited into an escrow account in the name of the indenture trustee. The escrow account is pledged as collateral for the secured notes. On a quarterly basis, the indenture trustee remits required principal payments and interest payments, as well as certain debt servicing costs, from the funds received in the escrow account. The balance remaining in the escrow account is paid to the Trust.

The notes have a final stated maturity date; however, the actual maturity will differ depending on the amount and timing of principal payments. The repayment schedule below is based on the expected repayment pattern for the notes based on the timing and amount of expected future cash royalty receipts. Actual repayments may vary depending on the timing and amount of actual receipts and the resulting impact on the payment provisions of the notes. The terms of the notes require accelerated payments in certain events and allow for voluntary prepayments under certain circumstances.

As at September 30, 2021, the expected principal repayments are presented in the following schedule. On July 15, 2021, the Trust made final scheduled payments on Series 2017-1 Class A-1 and Series 2017-1 Class A-2 notes. The Trust made total principal repayments of \$23,193 during the nine months ended September 30, 2021. Subsequent to the quarter end, on October 15, 2021, the Trust made principal repayments of \$4,158.

	Series 2018-1 Class A-1	Series 2018-1 Class A-2	Total
Remainder of: 2021	\$ 1,955	\$ 2,204	\$ 4,159
Full year: 2022	9,347	10,541	19,888
Full year: 2023	7,360	8,299	15,659
Full year: 2024	3,467	3,910	7,377
	\$ 22,129	\$ 24,954	\$ 47,083

On October 22, 2021, the Trust entered into a new credit agreement and fully repaid the existing secured notes, as described on page 7 of this MD&A.

The secured notes are discussed in further detail in note 11 to the interim consolidated financial statements.

FINANCIAL REVIEW: CASH FLOWS

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As a result, the discussions that follow refer to the Trust's cash flows for the nine months ended September 30, 2021 only.

The Trust generated the following cash flows during the nine months ended September 30, 2021.

	Nine months ended September 30, 2021
Cash and cash equivalents – December 31, 2020	—
Cash provided by operating activities	\$ 55,152
Cash provided by financing activities	352,636
Cash used in investing activities	(374,021)
Change in cash and cash equivalents	33,767
Cash and cash equivalents – September 30, 2021	\$ 33,767

During the nine months ended September 30, 2021, the Trust generated operating cash flows of \$55,152 primarily related to cash royalties received.

For the nine months ended September 30, 2021, the Trust issued units for proceeds totalling \$400,000 and paid unit issuance costs of \$21,423 in connection with the completion of its initial public offering and concurrent private placement, as described on page 3 of this MD&A.

The Trust used cash flows of \$374,021 in its investing activities for the nine months ended September 30, 2021 primarily related to the acquisition of royalty assets and certain other net assets and the investment in loan receivable, as described on page 5 of this MD&A.

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 12 to the interim consolidated financial statements.

On February 19, 2021, DRI Healthcare Trust completed initial public and private offerings of its units, as described on page 3 of this MD&A. The following table outlines the change in the number of units outstanding from October 21, 2020 (the date of formation) to September 30, 2021.

	Units	Weighted Average Cost per Unit	Total Cost
Balance – October 21, 2020 (date of formation)	—	\$ —	\$ —
Issuance of units – date of formation	1	\$ 10.00	—
Balance – December 31, 2020	1		\$ —
Issuance of units – private placement	3,580,407	\$ 9.70	34,730
Issuance of units – public offering	36,527,000	\$ 10.00	365,270
Unit issuance costs	n/a	n/a	(21,997)
Redemption of units	(1)	\$ 10.00	—
Balance – September 30, 2021	40,107,407		378,003

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 12 to the interim consolidated financial statements. As at September 30, 2021, no preferred units had been issued or were outstanding (December 31, 2020 – nil).

Normal course issuer bid

As described on page 7 of this MD&A, the Trust was granted approval by the Toronto Stock Exchange for the proposal 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 at September 30, 2021, the Trust has recorded an other current liability of \$981 representing the maximum amount that would be required to settle the AUPP in effect on September 30, 2021 with a corresponding decrease in other equity. The actual number of units repurchased under the AUPP may be less than the estimate as at September 30, 2021, resulting in a decrease in other current liabilities and an increase in other equity. As at November 1, 2021, the Trust had acquired 70,152 units at an average unit price of \$6.64, totalling \$466.

LIQUIDITY AND CAPITAL RESOURCES

The Trust's capital consists of its unitholders' capital and secured notes. 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) proceeds from the initial public offering and concurrent private placement; (ii) internally generated cash flow; (iii) debt financing; (iv) the issuance of Trust units to royalty sellers; and (v) future public equity issuances.

Our primary ongoing source of liquidity is cash provided by operating activities. The Trust generated \$55,152 of cash flows from operating activities during the nine months ended September 30, 2021. Additionally, the Trust has issued, and may in the future issue, debt instruments, including notes secured by its royalties receivable.

In connection with the Trust's secured notes, cash royalty receipts from royalty assets that serve as security for the secured notes are held in trust until payments are made to satisfy the obligations of the secured notes, as described on page 16 of this MD&A. The Trust is also required to maintain a predefined amount of cash in reserve pursuant to the terms of the secured notes, which has been classified as restricted on the statement of financial position, as described on page 17 of this MD&A. On October 22, 2021, the Trust entered into a credit agreement and fully repaid its existing secured notes, as described on page 7 of this MD&A.

We believe our existing capital resources and cash provided by operating activities will continue to allow us to meet our operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of our secured notes, as described on page 17 of this MD&A, for the foreseeable future.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib upon the approval of the product by the FDA, for \$60,000, as described on page 6 of this MD&A. CTI will be entitled to additional consideration of up to \$25,000 upon the achievement of certain sales milestones.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at September 30, 2021.

RELATED-PARTY TRANSACTIONS

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

Management fees

Under the management agreement, the Trust is required to pay quarterly management fees to our manager or its affiliates equal to 6.50% of total cash royalty receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter, as described in note 2(n) to the interim consolidated financial statements.

Performance fees

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

Servicer and other fees

Our manager provides administrative services to the Trust for servicing the secured notes, for which it receives a fee of \$400 per quarter. On October 22, 2021, the secured notes were fully repaid and the Trust entered into a new credit agreement, as described on page 7 of this MD&A. Accordingly, the servicing agreement in connection with the secured notes was terminated.

During the three and nine months ended September 30, 2021, the Trust recorded the following transactions and balances with DRI Capital.

	For the three months ended September 30, 2021	For the nine months ended September 30, 2021	As at September 30, 2021
Management fee expense	\$ 1,113	\$ 4,163	—
Servicer fee expense	\$ 400	\$ 978	—
Accounts payable and accrued liabilities	—	— \$	622

Except pursuant to the management agreement, the Trust did not enter into any related-party transactions for the period from October 21, 2020, being the date of formation of the Trust, to December 31, 2020.

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 to the interim consolidated financial statements. There were no changes to the accounting policies in the current period.

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, equity and the related note disclosures. Judgments, estimates and assumptions are reviewed 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. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 the Trust's contractual entitlement to each royalty asset, 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 earned is known.

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 our business, financial performance, financial condition, cash flows and the trading price of our units. Other risks and uncertainties that we do not currently consider to be material, or of which we are not currently aware, may also become important factors that affect our future business, financial condition, results of operations, cash flows and the trading price of our units.

Our 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 as well as its loan receivable.

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 September 30, 2021, royalties receivable from the five largest royalties receivable counterparties represented 86% of total royalties receivable. The Trust monitors its exposure to counterparties of its royalty assets on a regular basis.

The counterparty to the Company's loan receivable is CTI, a publicly traded biopharmaceutical company focused on the acquisition, development and commercialization of novel targeted therapies for blood-related cancers that offer a unique benefit to patients and their healthcare provider. According to the terms of the credit agreement, CTI is required to maintain minimum liquidity of at least \$10,000 for the duration of the loan and is subject to certain non-financial covenants customary in lending arrangements. As at September 30, 2021, the gross principal balance of the loan receivable was \$50,000.

Cash and cash equivalents, restricted cash and royalty assets are subject to credit risk. Cash and cash equivalents, funds held in trust and restricted cash 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 secured notes, the repayment schedule of which is presented on page 17 of this MD&A.

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. To mitigate its exposure to currency fluctuations in royalty income, the Trust has entered into foreign exchange derivatives, as described in note 7 to the interim consolidated financial statements. 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 (loss) as at September 30, 2021.

Interest rate risk

The Trust is exposed to changes in interest rates on its secured notes payable, as described in note 11 to the consolidated financial statements. The Trust has mitigated its exposure to fluctuating borrowing interest rates by entering into interest rate cap transactions, as described in note 7 to the interim consolidated financial statements. An increase or decrease of 0.5% in interest rates would not have a material impact on the Trust's net earnings (loss) as at September 30, 2021.

The Trust is also exposed to changes in interest rates related to its loan receivable, as described in note 9 to the interim consolidated financial statements. The interest on the loan receivable is subject to a LIBOR floor, which substantially mitigates the Trust's exposure to fluctuating interest rates.

Additional risks

The Trust is monitoring the impact of the current global COVID-19 pandemic as it could potentially affect our financial position, financial performance and cash flows. While the financial impact of the pandemic cannot be reasonably estimated at this time, the Trust does not anticipate that these events will have a material adverse impact on our long-term operations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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. The Chief Executive Officer and the Chief Financial Officer of the Trust have also 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.

Limitation on scope of design

The Chief Executive Officer and the Chief Financial Officer have limited the scope of our design of the Trust's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures related to the net assets acquired in February 2021, as described on page 6 of this MD&A, in accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The net assets acquired represent the businesses that we acquired not more than 365 days before the end of the related reporting period. The results of the acquired assets are included in our consolidated financial statements for the three and nine months ended September 30, 2021 and are presented below.

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Total income	\$ 22,859	\$ 59,000
Total expenses	(14,639)	(38,178)
Net earnings and other comprehensive earnings	\$ 8,220	\$ 20,822

	As at September 30, 2021
Current assets	\$ 84,803
Non-current assets	358,168
Total assets	\$ 442,971
Current liabilities	\$ 22,947
Non-current liabilities	26,945
Total liabilities	\$ 49,892

SUBSEQUENT EVENTS

Repayment of Secured Notes

On October 15, 2021, the Trust made required quarterly principal repayments of its secured notes totalling \$4,158, as described in note 11 to the interim consolidated financial statements. On October 22, 2021, the Trust repaid the remaining principal balance of the secured notes by drawing funds pursuant to a credit agreement, as described in note 11 to the interim consolidated financial statements.

Restricted Units

As described on page 7 of this MD&A, on October 1, 2021, the Trust granted 15,343 RUs which were immediately vested and converted to units. On October 8, 2021, the Trust further granted 150,000 RUs subject to vesting conditions.

NCIB

As described on page 7 of this MD&A, the Trust entered into an NCIB to repurchase units of the Trust for cancellation. As at November 1, 2021, the Trust had acquired 70,152 units at an average unit price of \$6.64, totalling \$466.

Credit Agreement

On October 22, 2021, the Trust entered into a credit agreement, as described on page 7 of this MD&A.

Third Quarter Distribution Declared

On November 8, 2021, the board of trustees declared a quarterly distribution of \$0.075 per unit to unitholders of record as at December 31, 2021 and payable on January 20, 2022.