No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution".

This prospectus has been filed under procedures in each of the provinces of Canada that permit certain information about these securities to be determined after the prospectus has become final and that permit the omission of that information from this prospectus. The procedures require the delivery to purchasers of a supplemented PREP prospectus containing the omitted information within a specified period of time after agreeing to purchase any of the securities. All of the information contained in the supplemented PREP prospectus that is not contained in this base PREP prospectus will be incorporated by reference into this base PREP prospectus as of the date of the supplemented PREP prospectus.

BASE PREP PROSPECTUS

Initial Public Offering

February 10, 2021

DRI HEALTHCARE TRUST

US$ ● ● Units

This prospectus qualifies the distribution of an aggregate of ● units of DRI Healthcare Trust, or the "**Trust**". We are offering units at a price of US$ ● per unit (the "**Offering Price**"). It is anticipated that the Offering Price will be between US$10.00 and US$11.00 per unit. We estimate that the combined gross proceeds from this offering (at an assumed Offering Price of US$10.00 per unit) and the concurrent private placement referred to below will be approximately US$400 million. We anticipate issuing approximately 40,100,000 units pursuant to this offering and the concurrent private placement (or approximately 45,600,000 units if the Over-Allotment Option (as defined below) is exercised in full). Our units are being offered in Canada by Scotia Capital Inc., UBS Securities Canada Inc. and RBC Dominion Securities Inc. (together, the "**Joint Bookrunners**") and BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc. and Canaccord Genuity Corp. (together with the Joint Bookrunners, the "**Canadian Underwriters**"), and in the United States by certain U.S. broker-dealers, including the U.S. broker-dealer affiliates of the Canadian Underwriters (together with the Canadian Underwriters, the "**Underwriters**").

Concurrently with the completion of this offering, DRI Capital Inc. ("**DRI Capital**", or our "**manager**"), certain of its personnel and certain current and former investors in the DRI Capital Funds (as defined below) and certain other investors will purchase an aggregate of ● units of the Trust by way of private placement at a price of US$ ● per unit, resulting in total proceeds to us of US$34,730,000. The purchase price per unit reflects a discount of US$ ● to the Offering Price. This prospectus does not qualify the distribution of units sold pursuant to the concurrent private placement. Completion of the concurrent private placement is conditional upon the completion of this offering and this offering is conditional upon the completion of the concurrent private placement. The units issued pursuant to the concurrent private placement will be subject to hold periods or resale restrictions under applicable laws. The purchase of units pursuant to the concurrent private placement will not result in any of DRI Capital, its personnel or any insider of DRI Capital or the Trust becoming a "control person" of the Trust for the purposes of applicable Canadian securities laws.

Unless otherwise specified, all monetary amounts in this prospectus, including the offering price listed above, are in U.S. dollars.

The Trust is a newly-formed entity that has been created to provide unitholders with differentiated exposure to the pharmaceutical and biotechnology industries through the ownership and acquisition of pharmaceutical royalties. Our manager, DRI Capital, has been focused on acquiring global pharmaceutical royalties for approximately 18 years and over this time has built a range of capabilities that have been instrumental to its performance. DRI Capital has overseen the deployment of more than US$2 billion of capital in 61 royalty streams on 37 products since the formation of its first privately managed fund in 2006. Following the closing of this offering, we will indirectly acquire an initial portfolio of royalty assets, which we refer to as the "**Seed Assets**", using cash of approximately US$292.7 million from the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately US$69.1 million as of January 15, 2021. The Seed Assets consist of 18 royalty streams on 14 different pharmaceutical products focused on eight therapeutic areas. See "Organizational Structure".

We are an unincorporated open-ended trust governed by the laws of the Province of Ontario. Our head and registered office is located at 1 First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

Our units have been approved for listing on the Toronto Stock Exchange ("**TSX**") in Canadian dollars under the symbol "DHT.UN" and in U.S. dollars under the symbol "DHT.U". Listing will be subject to us fulfilling all of the listing requirements of the TSX on or before April 26, 2021. See "Plan of Distribution".

There is currently no market through which our units may be sold and purchasers may not be able to resell units purchased under this prospectus. This may affect the pricing of our units in the secondary market, the transparency and availability of trading prices, the liquidity of our units, and the extent of issuer regulation. An investment in our units is subject to a number of risks that should be considered by a prospective purchaser. See "Risk Factors".

Price: US$ ● per unit

	Price to the Public[1]	Underwriters' Fee	Net Proceeds to the Trust[2]
Per unit	US$ ●	US$ ●	US$ ●
Total offering[3][4]	US$ ●	US$ ●	US$ ●

Notes:

(1) The Offering Price has been determined by negotiation between us and the Underwriters.

(2) After deducting the Underwriters' fee but before deducting expenses of this offering, estimated to be $ ● million, which, together with the Underwriters' fee, will be paid from the proceeds of this offering. No commission or other fees will be paid to the Underwriters or any other underwriter or agent in connection with the concurrent private placement.

(3) We have granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part, at any time for a period of 30 days after the Closing Date (as defined below), to purchase from us up to an additional ● units (representing approximately 15% of the number of units sold under the base offering, which does not include the units to be purchased in the concurrent private placement) on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Trust" will be US$ ● , US$ ● and US$ ● , respectively. This prospectus also qualifies the grant of the Over-Allotment Option and distribution of the units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires units forming part of the Underwriters' over-allocation position acquires such units under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(4) The total offering does not include the units to be purchased in the concurrent private placement.

The following table sets out the number of units that may be sold by us to the Underwriters pursuant to the Over-Allotment Option:

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	● units	For a period of 30 days after the Closing Date	US$ ● per unit

A return on an investment in units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in units is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although we intend to make distributions of our available cash to unitholders, such distributions may be reduced or suspended at any time. The actual amount distributed will depend on numerous factors, including the financial performance of our assets, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the units will likely decline if our distributions are reduced or suspended, and that decline may be significant.

The after-tax return from an investment in units to unitholders subject to Canadian income tax will depend, in part, on the composition for income tax purposes of distributions paid by us on our units, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the unitholder's units).

The Canadian Underwriters, as principals, conditionally offer the units qualified under this prospectus, subject to prior sale, if, as and when sold by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined in this prospectus) among us and the Underwriters referred to under "Plan of Distribution" and subject to the approval of certain legal matters on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Torys LLP.

In connection with this offering, the Underwriters have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of our units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer our units at a price lower than that stated above. Any such reduction in price will not affect the proceeds received by the Trust.** See "Plan of Distribution".

The Trust is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on the business of a trust company. Our units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that Act or any other legislation.

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The closing of this offering is expected to occur on or about February 19, 2021 or such other date as we and the Underwriters may agree, but in any event no later than February 26, 2021 (the "**Closing Date**"). The units offered under this prospectus will be deposited with CDS Clearing and Depository Services Inc. ("**CDS**") in electronic form on the Closing Date. A purchaser of units will receive only a customer confirmation from the registered dealer from or through which units are purchased. See "Plan of Distribution".

ADVANCING SCIENCE IN THE FAST GROWING PHARMACEUTICAL AND BIOTECHNOLOGY SECTOR

Partner of choice in the global pharma royalty sector focused on $25M – $150M growth transactions

18 years experience in royalty investing

$2B+ Capital deployed by DRI Capital Funds and co-investors

61 Royalty acquisitions

18.9% IRR
Aggregate gross unlevered[1]

DRUG ROYALTY I

$645M
Capital deployed

19 Royalties

Remicade, Xolair, Enbrel

18.8% IRR[1]

DRUG ROYALTY II

$648M
$82M CIF
Capital deployed

27 Royalties

Stelara, ILARIS, Simponi

17.5% IRR[1][2]

DRUG ROYALTY III

$586M
Capital deployed

15 Royalties

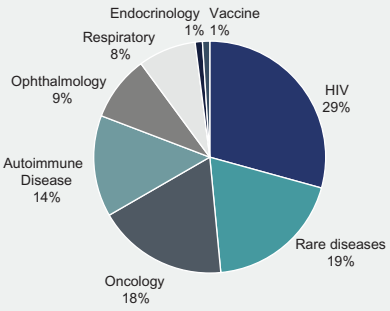
EYLEA, SPINRAZA, KEYTRUDA

20.2% IRR[1]

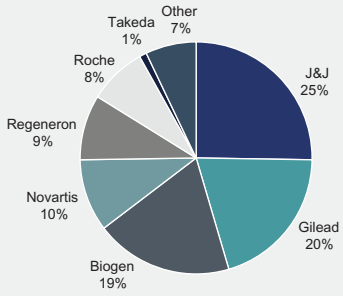
Seed Assets provide diversification and attractive financial profile to support future growth

Seed Asset Cash Royalty Receipts for the nine months ended September 30, 2020

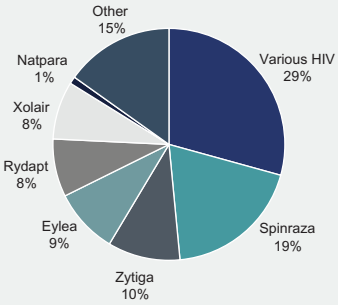
Therapeutic Area



Lead Marketer[3]



Product[4]



Repeatable process to source new opportunities to execute on growth strategy

IDENTIFY
1. Proprietary database with >6,500 royalties on >2,000 products

QUALIFY
2. Comprehensive evaluation via proven, repeatable process

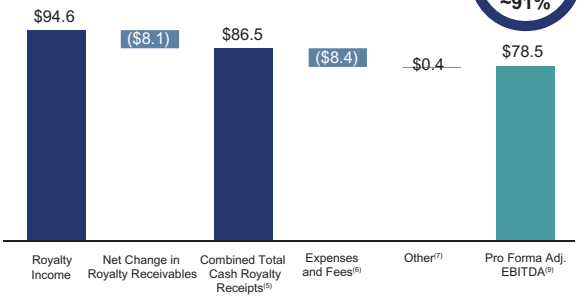
ORIGINATE
3. Longstanding pharmaceutical royalty investor with a well-established network of partners

EXECUTE
4. Systematic and repeatable deal flow generated

Efficient business model drivesattractive Adjusted EBITDA Margin (US$M)

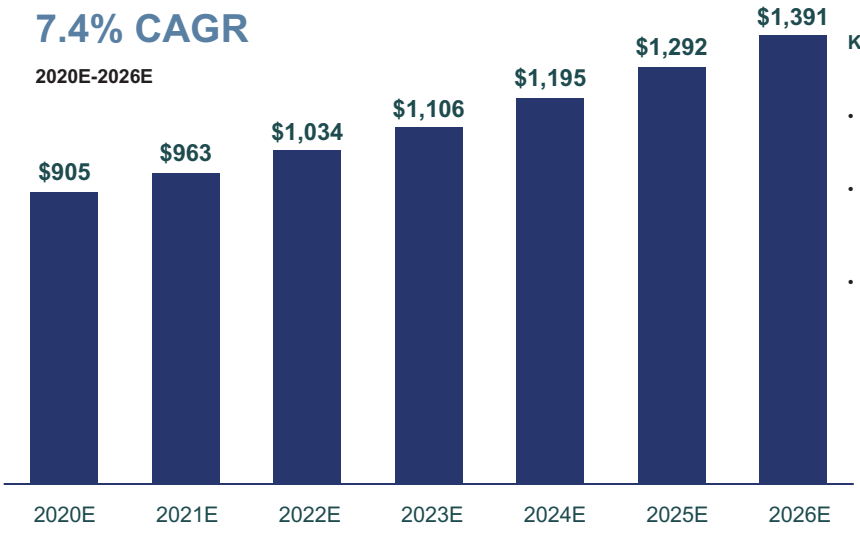
(Nine months ended September 30, 2020)

Pro Forma Adj. EBITDA Margin[8] **~91%**



Direct exposure to the fast-growing global pharmaceutical industry

Projected Worldwide Prescription Drug Sales (US$B)



KEY INDUSTRY GROWTH DRIVERS

- Significant levels of life science R&D
- Pace of new drug approvals by the U.S. FDA
- Significant capital needs creating demand for alternative financing

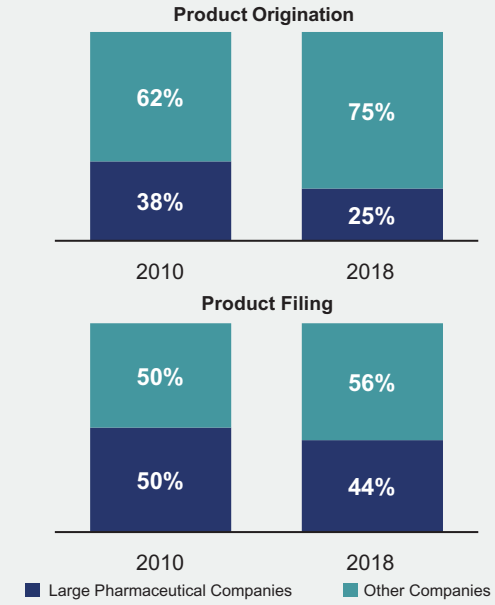
Source: EvaluatePharma – World Preview 2020, Outlook to 2026, July 2020.

Worldwide pharmaceutical R&D spend is sizeable and continues to grow

Source: EvaluatePharma—World Preview 2020, Outlook to 2026, July 2020.

Large pharmaceutical companies increasing reliance on external innovation leads to the creation of new royalty streams

% of Approved Drugs Each Year



Source: IQVIA Report—Changing Landscape of R&D, April 2019.

1. IRRs represent gross unlevered IRRs; Gross unlevered internal rate of return (GU IRR) represents an annualized rate of return of the cash flows of the applicable DRI Capital Fund. GU IRR is presented for each fund and calculated as the annualized, compounded rate of return based on annual cash flows which include (i) actual purchase prices paid for the royalty assets by each fund as outflows, (ii) actual cash royalty receipts by each fund as inflows, and (iii) a terminal value inflow in 2021 based on the gross consideration attributable to each fund. For the purposes of this calculation, for each of the funds, all cash inflows and outflows within each year are aggregated and recorded on the last day of the year during which they occurred, except for the terminal value which is recorded on the expected pricing date of this offering. The aggregate GU IRR is calculated on the same basis as individual GU IRR for each fund based on annual cash inflows, outflows and terminal value, aggregated for the three DRI Capital Funds referred to above. The calculation of GU IRR may differ from the calculation of unlevered rates of return by other issuers and pharmaceutical royalty businesses and may not be comparable to similar metrics presented by other issuers and pharmaceutical royalty businesses. "CIF" refers to Drug Royalty II CIF; the full name of Drug Royalty II CIF is "RMF 2 Co- Investment Fund."
2. Represents the IRR for Drug Royalty II CIF
3. "Other" includes AstraZeneca and ViiV
4. "Other" includes FluMist and the DRIT Portfolio; "Eylea" includes the cash royalty receipts from Eylea I and Eylea II; "Various HIV" includes cash royalty receipts from the Rilpivirine Portfolio (Complera, Edurant, Juluca, Odefsey)
5. Includes $3.2M of cash royalty receipts from a Legacy Product that expired in line with terms
6. Includes Operating Expenses, Management fees that would have been paid by the Trust to DRI had the expected management fee arrangement been in place during the period and amounts payable to DRI for administrative services related to secured notes
7. Interest income and net realized gain on FX swaps
8. Non-GAAP financial metric, calculated as Pro Forma Adj. EBITDA / Cash Royalty Receipts
9. Excludes expenses expected to incur as public entity cost of $1.4m / year. See "Selected Historical and Pro Forma Financial Information and Other Data - Reconciliation of Non-IFRS Measures (Pro Forma)".

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ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus. Neither we nor any of the Underwriters has authorized anyone to provide investors with additional or different information. The information contained on the website of our manager at www.dricapital.com is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in our units. Any graphs, tables or other information demonstrating the historical performance of our manager or any funds managed by it, or the performance of any other entity contained in this prospectus, are intended only to illustrate past performance and are not necessarily indicative of our or such entities' future performance. The information contained in this prospectus is accurate only as of the date of this prospectus or the date otherwise indicated, regardless of the time of delivery of this prospectus or of any sale of our units.

We and the Underwriters are not offering to sell units in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, none of us nor any of the Underwriters has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, this offering and the possession or distribution of this prospectus.

MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise requires, information contained in this prospectus: (i) gives effect to the Closing Transactions as described under "Organizational Structure"; and (ii) assumes that the Over-Allotment Option has not been exercised. All references in this prospectus to "**we**", "**us**" or "**our**" are to DRI Healthcare Trust, together with our subsidiaries, as constituted on the Closing Date after giving effect to the closing of this offering and the Closing Transactions. References to the "**Trust**" are to DRI Healthcare Trust only. References to "**DRI Healthcare**" are to DRI Healthcare ICAV, our 100% owned Irish subsidiary. References to "**DRI Capital**" or "**our manager**" are to our manager, DRI Capital Inc.

Furthermore, as used in this prospectus, unless the context indicates or requires otherwise, the following terms have the respective meanings set out below:

"**CBCA**" means the *Canada Business Corporations Act*, as amended.

"**declaration of trust**" means, except where otherwise indicated, the declaration of trust governing the Trust as will be in effect as of the time of closing on the Closing Date.

"**DRI Capital Funds**" means all predecessor funds managed by DRI Capital, including Drug Royalty I, Drug Royalty II, Drug Royalty II CIF and Drug Royalty III. The full name of Drug Royalty II CIF is "RMF 2 Co-Investment Fund".

This prospectus includes historical financial statements for certain entities and assets of the DRI Capital Funds that the Trust will indirectly acquire pursuant to the Closing Transactions, namely Drug Royalty Fund I ("**Fund I**"), Drug Royalty III, L.P. ("**DR III LP**") and RMF 2 Co-Investment Fund Portfolio ("**RMF 2 Portfolio**"). Fund I, DR III LP and RMF 2 Portfolio refer only to the entities or assets that the Trust will indirectly acquire from Drug Royalty I, Drug Royalty III and Drug Royalty II CIF.

In this prospectus, the terms "**royalties**" and "**royalty streams**" are used interchangeably to refer to either: (i) contractual arrangements that grant the buyer the right to receive royalties derived from the sale of pharmaceutical, biotechnology and other life science products pursuant to licence agreements or other contractual arrangements (we refer to these as "traditional" royalty streams), or (ii) contractual arrangements that grant the buyer the right to receive a percentage of the top-line sales of pharmaceutical, biotechnology and other life science products directly from the marketer of the product (we refer to these as "synthetic" royalty streams). Unless the context otherwise requires, when we refer to terms such as "**our royalties**", "**our portfolio**", "**our interests in products**" and similar terms, we are referring to our contractual interests in royalties and royalty streams that will be held by our subsidiaries from and after the closing of this offering. When we refer to "**products**", including with respect to the Seed Assets, 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.

When we refer to historical capital deployment or historical cash royalty receipts by the DRI Capital Funds, amounts are provided for informational purposes to illustrate the historical capital deployed by the DRI Capital Funds and co-investors. Such amounts have been derived from internal financial information prepared in accordance with U.S. generally accepted accounting principles ("**U.S. GAAP**") and not in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). Such information is not intended to be representative of future capital to be deployed or the future performance of the Seed Assets. Neither the Trust's nor DRI Capital Funds' independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to such financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with, the capital deployment information.

When we refer to our acquisition of royalties, this includes various structures, including, but not limited to, traditional royalties, synthetic royalties and similar payment streams, such as earn-outs, that are tied to sales of pharmaceutical, biotechnology or other life science products. Acquisitions of royalties are accounted for under IFRS as financial assets or intangible assets based on the nature of each investment. We may also acquire royalties through an equity investment.

We present our financial statements in U.S. dollars and the financial statements of the DRI Capital Fund entities and assets that we will acquire pursuant to the Closing Transactions are also presented in U.S. dollars. In this prospectus, 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 prospectus may not reconcile due to rounding.

EXCHANGE RATE DATA

The following table sets forth, for the periods indicated, the high, low, average and period-end daily exchange rates for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,		Year Ended December 31,			
	2020	2019	2020	2019	2020	2019	2018	2017
Highest rate during the period	1.3616	1.3343	1.4496	1.3600	1.4496	1.3600	1.3642	1.3743
Lowest rate during the period	1.3042	1.3038	1.2970	1.3038	1.2719	1.2988	1.2288	1.2128
Average rate for the period	1.3321	1.3204	1.3541	1.3292	1.3415	1.3269	1.2957	1.2986
Rate at the end of the period	1.3339	1.3243	1.3339	1.3243	1.2732	1.2988	1.3642	1.2545

On February 9, 2021, the rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was $1.00 = C$1.2719. No representation is made that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

NON-IFRS MEASURES AND OTHER MEASURES

Our operations have historically been financed primarily with cash flows generated by our royalties and external indebtedness. Royalty income is recorded on an accrual basis when earned in accordance with underlying contractual rights, rather than when actual cash payments in respect of royalties are received. The lag between when royalty income is recorded and when corresponding cash payments are received is typically three months, but may in some cases be several financial quarters. Given the importance of cash flows to our business, we use "cash royalty receipts" as a key measure of our operating performance. Cash royalty receipts refers to the cash received during a period pursuant to the terms and conditions of a particular royalty asset. We refer to cash royalty receipts on a product-by-product basis, such as the cash royalty receipts for Spinraza, as an example. Cash royalty receipts for

Spinraza for a particular period would represent the cash received and reflected on the financial statements of Drug Royalty III, L.P. during that period pursuant to royalty payments made in respect of sales of Spinraza.

This prospectus makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our financial performance from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, consisting of "Adjusted EBITDA", "Adjusted EBITDA margin" and "Total Cash Royalty Receipts". We also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to help understand our business and the assets that we will acquire pursuant to the Closing Transactions.

Non-IFRS Measures

"Adjusted EBITDA" represents net income and comprehensive income, adjusted for the following: (i) amortization of royalty investments, (ii) interest expense and finance fees, (iii) royalties receivable at the beginning of period, (iv) royalties receivable at the end of period, (v) (reversal of) impairment of royalty investments, (vi) net change in unrealized depreciation of interest rate swap, and (vii) net change in unrealized (appreciation) depreciation of foreign exchange swap. We believe Adjusted EBITDA is useful in assessing our operating cash flows as it eliminates the effects of accruals and non-cash expenses recorded on the statement of income and comprehensive income.

"Adjusted EBITDA margin" represents Adjusted EBITDA, calculated on a pro forma basis, divided by the sum of Total Cash Royalty Receipts for Fund I, DR III LP and RMF 2 Portfolio. We believe that Adjusted EBITDA margin is a useful supplemental measure to demonstrate the operating efficiency of our business.

"EBITDA" represents net income and comprehensive income, adjusted for the following: (i) amortization of royalty investments, and (ii) interest expense and finance fees.

"Total Cash Royalty Receipts" represents royalty income, plus royalties receivable at the beginning of period, less royalties receivable at the end of period. Total Cash Royalty Receipts represents the total cash received and reflected in the financial statements of Fund I, DR III LP or RMF 2 Portfolio, as applicable, during a period pursuant to the terms and conditions of all royalty assets held by Fund I, DR III LP or RMF 2 Portfolio, as applicable. We use Total Cash Royalty Receipts to refer to all cash royalty receipts rather than cash royalty receipts in respect of a particular product. Because of the lag between when royalty income is recorded and when corresponding cash payments are received, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate cash flows.

This prospectus also refers to our debt to pro forma Adjusted EBITDA ratio. Pursuant to the Closing Transactions, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. Based on our pro forma Adjusted EBITDA of $78.5 million for the nine months ended September 30, 2020 and the amount of indebtedness referred to above, our debt to pro forma Adjusted EBITDA ratio would be less than one. Pro forma Adjusted EBITDA is a non-IFRS financial measure. The most directly comparable financial measure is pro forma net income and comprehensive income. Based on our pro forma net income and comprehensive income of $50.1 million for the nine months ended September 30, 2020 and the amount of indebtedness referred to above, our debt to pro forma net income and comprehensive income ratio would be approximately 1.4.

See "Summary Pro Forma and Historical Financial Information and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for an explanation of certain of the foregoing measures and, in the case of "Adjusted EBITDA" and "Total Cash Royalty Receipts", a reconciliation of those measures to their most directly comparable measures calculated in accordance with IFRS.

FORWARD-LOOKING INFORMATION

This prospectus 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 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. In addition, 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.

Discussions containing forward-looking information may be found, among other places, under "Prospectus Summary", "Summary of the Offering", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Equity Capital", "Distribution Policy", "Agreements with our Manager", "Consolidated Capitalization", "Trustees and Executive Officers", "Executive Compensation", "Trustee Compensation", "Plan of Distribution" and "Risk Factors".

The forward-looking information in this prospectus includes, among other things, statements relating to:

- the offering price, the completion, size, proceeds, expenses and timing of closing of this offering;
- the use of proceeds from this offering;
- completion of the Closing Transactions, including the acquisition of the Seed Assets;
- the anticipated liquidation of Drug Royalty I and Drug Royalty III;
- our royalty entitlements on the Seed Assets and their expected expiries;
- anticipated royalty income and cash flows generated from our royalty portfolio;
- anticipated cash distributions made to unitholders;
- our anticipated structure;
- the tax treatment of the Trust and its subsidiaries and of any distributions made to unitholders;
- expected cash flows over the remaining life of the Seed Assets;
- the commercial potential of products in our portfolio;
- our objective to acquire additional royalties over the next five years and to grow our cash royalty receipts;
- our investment strategy and criteria, including our criteria associated with achieving an average gross unlevered internal rate of return and our target for long-term compounded growth in cash royalty receipts of seven to nine percent from 2021 onwards;
- future royalty acquisition opportunities, the expansion opportunities for such royalties and our objectives relating thereto;
- our manager's ability to identify, source, underwrite and maintain royalty streams and our ability to access proprietary opportunities with limited competition;
- our strategies to acquire additional royalties and create new royalty streams;
- our views regarding the royalty streams as revenue sources for the marketers of our royalty assets;
- the funding of royalty acquisitions, including our ability to access the debt securitization markets;
- our business plans and strategies;
- the availability of sufficient liquidity for planned growth;

- expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies;
- effects of macroeconomic trends and market volatility on our portfolios and pharmaceutical royalties;
- growth in global prescription pharmaceutical sales;
- increases in research and development ("**R&D**") investment and outsourcing of R&D expenditures by drug manufacturers;
- opportunities in therapeutic areas or specific products;
- our use of short-term investments to fund operations;
- uncertainty and volatility relating to market prices of products from which we are entitled to receive royalty interests;
- the impact of increasing competition within the biotechnology and pharmaceutical industry;
- expectations regarding future director and executive compensation levels and plans;
- the adoption of specific corporate governance policies and practices; and
- the market price for our units.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions underlying the forward-looking information in this prospectus include: our assumptions regarding demand and growth in pharmaceutical sales, R&D and opportunities for royalty investing; the competitive environment in which we operate; our manager's performance; our ability to implement our growth strategies; our ability to obtain financing and maintain our existing financing on acceptable terms; our ability to maintain good business relationships with our marketers and other industry partners; timely receipt of cash royalty receipts; expectations regarding the duration of our royalties; our ability to keep pace with changing consumer preferences; the absence of material adverse changes in our industry or the global economy; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and stability in laws, rules, regulations and global standards in the pharmaceutical industry.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following risk factors described in greater detail under the heading entitled "Risk Factors":

- biotechnology and pharmaceutical products are subject to sales risks;
- the royalty market growth rate and growth in our royalty portfolio;
- our reliance on a limited number of products;
- we make assumptions regarding the royalty duration for terms that are not contractually fixed;
- our future income is dependent upon numerous royalty-specific assumptions;
- our ability to raise capital in the future to achieve our growth objectives;
- information about the products underlying the royalties we buy may be limited;
- competition;
- marketers of products underlying our royalties are outside of our control;
- we may rely on leverage to fund some or all of our royalty acquisition strategy;

- interest rate and foreign exchange risk;
- acquisitions of royalties on products whose success is dependent on further development are subject to a number of uncertainties;
- future investments in debt instruments are subject to credit risk;
- future investments in securities of royalty counterparties are subject to various risks;
- regulatory approval, commercialization, manufacturing and marketing of products is outside of our control;
- the insolvency of a marketer;
- unsuccessful attempts to acquire new royalties could result in significant costs;
- underlying products are subject to uncertainty;
- the pharmaceutical industry may be negatively affected by U.S. federal government deficit reduction policies;
- regulatory approvals and actions in the United States and foreign jurisdictions;
- interruption in manufacturing and distribution;
- product liability claims or recalls;
- we are typically not involved in maintaining, enforcing and defending patent rights;
- third-party patents may result in additional costs for the marketer and reduce the amount of royalties paid;
- license agreements have contractual limitations that could impact our royalties and may not cover us for all royalty-related risks;
- royalty agreement terms may require us to make additional payments;
- disclosure of trade secrets could negatively affect the competitive position of the products;
- the internal computer systems of our partners may fail or suffer security breaches;
- cyber-attacks or other failures in telecommunications or information technology systems;
- operational risks;
- classification of royalties as financial assets or intangible assets;
- changes in the application of accounting standards;
- if we were determined to be an investment company under the U.S. Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business;
- the royalties that we acquire following this offering may fall outside the pharmaceutical industry;
- the current outbreak of the novel coronavirus, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases;
- legal claims and proceedings could adversely impact our business;
- we are subject to the anti-corruption laws, as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations;
- the EU directive on alternative investment fund managers may significantly increase our compliance costs;
- we have no employees and will be entirely dependent upon DRI Capital for all the services we require;
- the policies and procedures we have established to mitigate conflicts of interest may not be effective;
- the success of our business depends upon our manager;
- our manager may be the subject of a change of control;
- our manager's liability is limited;
- we are a holding entity with no operations;

- returns on investment and cash distributions are not guaranteed;
- our ability to pay periodic distributions to our unitholders may be limited;
- there may not be an active trading market for our units;
- the market price of our units may decline due to the large number of units eligible for future sale or future offerings of debt securities by us;
- the impact of securities or industry analysts on the trading price and trading volume of our units;
- we have broad discretion in the use of our cash and cash equivalents;
- the market price of our units may be volatile;
- unitholders will be subject to restrictions on their ability to redeem units;
- units do not represent a direct interest in royalties or our other assets;
- units are structurally subordinated to indebtedness;
- unitholders will have limited control over the Trust;
- unitholders could be found to be liable for the obligations of the Trust;
- the requirements of being a public company;
- failure to establish and maintain effective internal control over financial reporting;
- our structure involves complex provisions of tax law and is subject to regulatory changes;
- we expect to be classified as a PFIC (as defined below) for U.S. federal income tax purposes, which could subject U.S. Holders (as defined below) to adverse U.S. federal income tax consequences;
- distributions that we pay to individual and other non-corporate U.S. Holders will not be eligible for taxation at reduced rates;
- our eligibility for certain income tax treaty benefits;
- if our subsidiaries are considered to be engaged in a U.S. trade or business;
- withholding taxes on royalties could reduce the amount of cash available to us;
- an investment in our units is subject to certain Canadian tax considerations;
- tax considerations relating to FAPI (as defined below); and
- changes in tax laws or other law or government incentive programs.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Risk Factors" should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in 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 made. The forward-looking information contained in this prospectus represents our expectations as of the date of this prospectus (or as the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or 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.

All of the forward-looking information contained in this prospectus is expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in our units.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this prospectus was obtained from third party sources, websites and other publicly available information, including Bloomberg, EvaluatePharma's *World Preview 2020, Outlook to 2026, July 2020*, Evaluate Ltd., EvaluatePharma's *Available Worldwide Sales by Indication – Summary,* January 2021, Evaluate Ltd., IQVIA Institute's *Global Medicine Spending and Usage Trends Outlook to 2024, March 2020*, IQVIA Institute's *Changing Landscape of R&D, April 2019* and the United States Food and Drug Administration, as well as industry and other data prepared by us or on our behalf on the basis of our manager's knowledge of the markets in which it operates. We believe that the market and economic data presented throughout this prospectus is accurate and, with respect to data prepared by us or on our behalf, that the opinions, estimates and assumptions expressed in this prospectus are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this prospectus are not guaranteed and neither we nor any of the Underwriters makes any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, neither we nor any of the Underwriters has independently verified any of the data from third party sources referred to in this prospectus, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

MARKETING MATERIALS

A "template version" of the following "marketing materials" (each such term as defined in National Instrument 41-101 – *General Prospectus Requirements*) for this offering filed with the securities commission or similar regulatory authority in each of the provinces of Canada, is specifically incorporated by reference into this prospectus:

- the investor presentation dated January 28, 2021 filed on SEDAR on January 28, 2021;
- the term sheet dated January 28, 2021 filed on SEDAR on January 28, 2021; and
- the term sheet dated February ● , 2021 filed on SEDAR on February ● , 2021.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces of Canada, in connection with this offering after the date hereof, but prior to the termination of the distribution of our units under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials used in connection with this offering is not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

TRADEMARKS AND TRADE NAMES

This prospectus includes certain trademarks we own or have the right to use, which are protected under applicable intellectual property laws and are our property. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, provided that on the Closing Date the units are listed on a "designated stock exchange", as defined in the *Income Tax Act* (Canada) (together with the regulations promulgated thereunder, the "**Tax Act**") (which currently includes the TSX), the units acquired pursuant to this offering on the Closing Date will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), deferred profit sharing plan, registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), or a tax-free savings account ("**TFSA**").

Notwithstanding that the units may be qualified investments for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA ("**Plans**"), the holder of such RDSP or TFSA, the subscriber of such RESP or the annuitant under such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the units if such units are a "prohibited investment" and not "excluded property" for the RRSP, RRIF, RESP, RDSP or TFSA. The units will generally be a "prohibited investment" if the holder of a RDSP or TFSA, the subscriber of a RESP or the annuitant under a RRSP or RRIF, as the case may be, (i) does not deal at arm's length with the Trust for purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of subsection 207.01(4) of the Tax Act) in the Trust.

Individuals who intend to hold units in a RRSP, RRIF, RESP, RDSP or TFSA should consult their own tax advisors as to whether such securities will be a "prohibited investment" or "excluded property" in their particular circumstances.

PROSPECTUS SUMMARY

This summary highlights principal features of this offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our units. You should read this entire prospectus carefully, especially the "Risk Factors" section of this prospectus and the historical and pro forma financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. Capitalized terms used but not defined in this prospectus summary are defined elsewhere in this prospectus.

Overview

DRI Healthcare Trust is a newly-formed entity created to provide unitholders with differentiated exposure to the pharmaceutical and biotechnology industries through the ownership and acquisition of pharmaceutical royalties. Our business model is focused on managing and growing a diversified portfolio of pharmaceutical royalties that deliver attractive growth in cash royalty receipts over the long term. Immediately following the closing of this offering, we will indirectly acquire a portfolio of 18 royalties derived from the sales of 14 different pharmaceutical products focused on eight therapeutic areas, which we refer to as the "Seed Assets".

Our manager, DRI Capital, has been focused on acquiring global pharmaceutical royalties for approximately 18 years. DRI Capital has demonstrated a consistent ability to identify and acquire royalty streams, having overseen the deployment of more than $2 billion of capital in 61 royalty streams on 37 products since the formation of its first privately managed fund in 2006. We believe DRI Capital is one of a few acquirors that focuses on and has the depth of experience to successfully complete small- to medium-sized growth-oriented transactions in the $25 million to $150 million range, which is the range of investments that we intend to target. Royalty transactions in the $25 million to $150 million range accounted for approximately 61% or $1.3 billion of the capital deployed by the DRI Capital Funds and co-investors since 2006. Our manager has built a deep network of relationships and demonstrated an ability to work with inventors, academic institutions, drug developers and marketers to source and successfully structure royalty transactions. Between 2006 and September 30, 2020, funds managed by DRI Capital generated $2.5 billion of cash royalty receipts. DRI Capital currently intends to devote substantially all of its time working for the benefit of the Trust as our manager.

The Seed Assets consist of royalty streams on products that address medically necessary therapeutic areas, such as HIV, oncology, rare diseases, ophthalmology and autoimmune diseases, and will entitle us to royalty payments based directly on top-line sales of several blockbuster therapies, including Spinraza, Eylea and Xolair. The products underlying the Seed Assets are marketed by leading, global pharmaceutical companies, including Johnson & Johnson, Gilead, Biogen and Regeneron. Many of the Seed Asset royalty streams provide us with entitlements on products that we believe represent focus areas and important revenue sources for their marketers. In 2019, seven of the products underlying the Seed Assets generated global sales of more than $1 billion each, with two of those therapies generating more than $5 billion in global sales. According to EvaluatePharma (January 2021, Evaluate Ltd.), the products underlying nine of the Seed Assets are among the top five pharmaceutical products for their respective indications based on 2019 worldwide sales. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%. It is estimated that total cash royalty receipts for Fund I, DR III LP and the RMF 2 Portfolio for the year ended December 31, 2020 were approximately $127.0 million. See preliminary unaudited cash royalty receipts for the three months ended December 31, 2020. See "Summary Pro Forma and Historical Financial Information and Other Data – Preliminary 2020 Total Cash Royalty Receipts (Unaudited)".

Over the past two decades, our manager has built a dedicated team of seasoned and highly specialized professionals focused on the identification, evaluation and acquisition of pharmaceutical royalties. DRI Capital has developed a disciplined strategy predicated on active sourcing of royalties on medically necessary products with long term patent protection and growth potential. As a publicly listed entity, we plan to replenish and grow our portfolio with the acquisition of pharmaceutical royalty streams that meet our investment criteria by leveraging DRI Capital's experience, expertise and well-established industry relationships. The evergreen nature of a public company is

expected to provide an attractive cost structure and facilitate ongoing growth in our royalty portfolio and royalty cash receipts by allowing us to redeploy internally generated capital on future royalty acquisitions, along with the net proceeds from this offering and the use of leverage. Our objective is to purchase between $650 million to $750 million of royalties over the next five years, which we believe will allow us to replenish and grow cash royalty receipts, with a long term compounded growth target of between seven and nine percent from 2021 onwards.

We believe our manager's experience and deep industry relationships, combined with our focused investment strategy, flexible approach to structuring and access to capital, will position us to capitalize on the rapid growth and increasing innovation in the pharmaceutical industry.

Pharmaceutical Royalty Investing

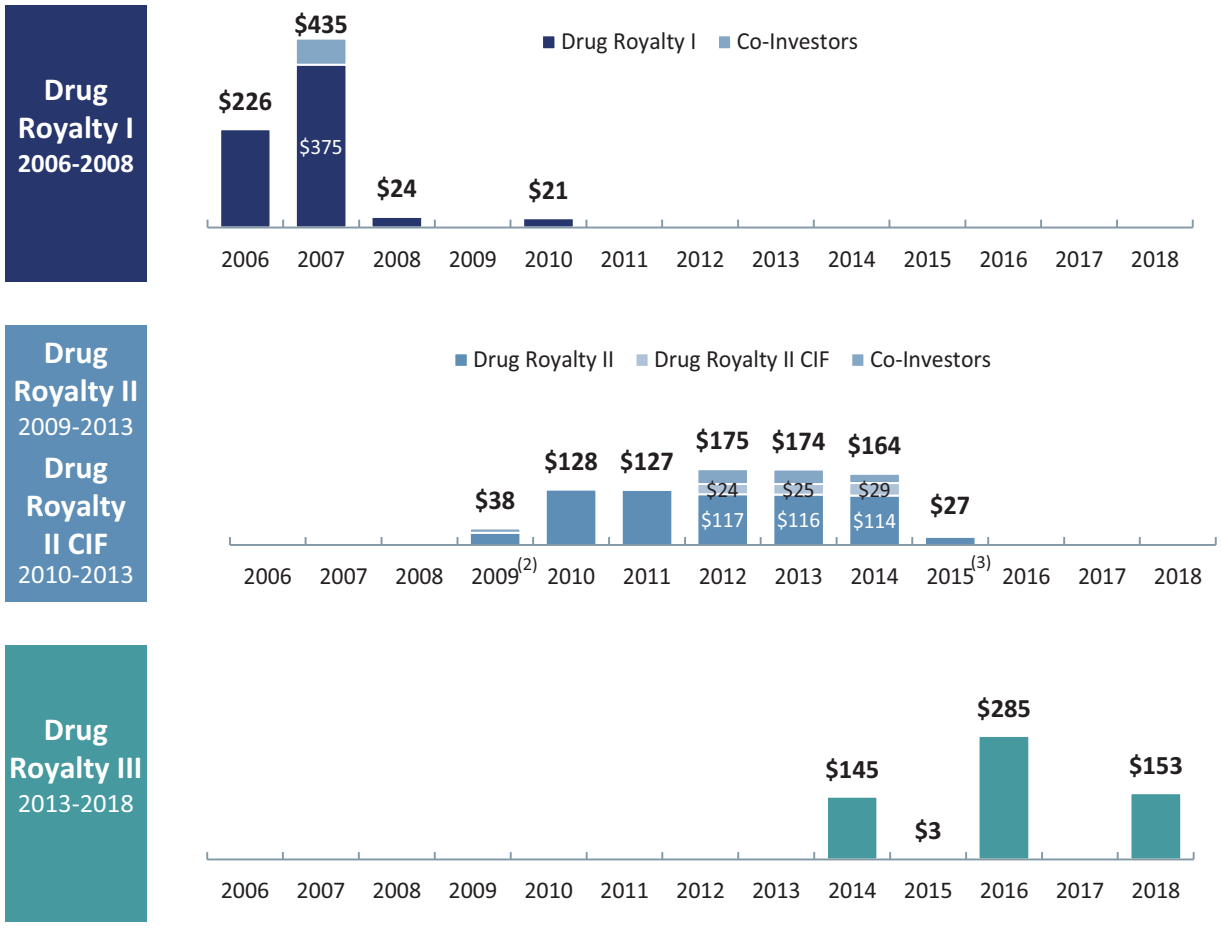
The global pharmaceutical industry has a number of compelling growth drivers. Population growth, an aging population and new therapeutic treatments have fueled global prescription pharmaceutical sales, which are estimated to grow at a 7.4% compound annual growth rate, or "CAGR", from $900 billion in 2020 to almost $1.4 trillion by 2026, according to EvaluatePharma. A key catalyst to growth is the acceleration in medical research, which has advanced treatments across a range of therapeutic areas from oncology to rare diseases. Worldwide pharmaceutical R&D expenditures reached $186 billion in 2019, according to EvaluatePharma, and are projected to increase to $233 billion by 2026. We believe this increase is a result of the pace of innovation and increasing treatment complexity. We believe the combination of the growth in R&D expenditures, a fragmented development chain and increased R&D outsourcing by large drug manufacturers will continue to create royalty acquisition opportunities in the future.

Rising costs and increasing complexity of scientific advancement and drug development have resulted in a broader range of participants being involved in the creation of new drugs. Inventors, academic and other research institutions conduct basic research and license technologies or product candidates to other industry participants for further development. Biotechnology companies typically in-license these new technologies or product candidates, add value through further research and clinical development and then either out-license the resulting product candidates to larger biopharmaceutical companies for later-stage clinical development and commercialization or advance clinical development and commercialization themselves. Pharmaceutical royalties, which we also refer to as royalty streams, can be created at various stages in the product development process, resulting in acquisition opportunities for royalty investors. We believe the continued pace of biopharmaceutical innovation coupled with the increasing cost of drug development provides a sustainable tailwind for our business.

Track Record of Disciplined Capital Deployment

Our manager has proven expertise in sourcing high quality, durable pharmaceutical royalty investments as demonstrated by the successful track record of the DRI Capital Funds. Between 2006 and 2018, these funds acquired 61 royalty streams on 37 products. During this time, approximately $2 billion of capital was deployed from funds managed by DRI Capital, which was supplemented by an additional $160 million of cash sourced from co-investors, for total purchases of over $2.1 billion. This represents an average deployment of approximately $160 million per year during this period.

Historical Capital Deployment of the DRI Capital Funds and Co-Investors (US$M)[1]



Notes:

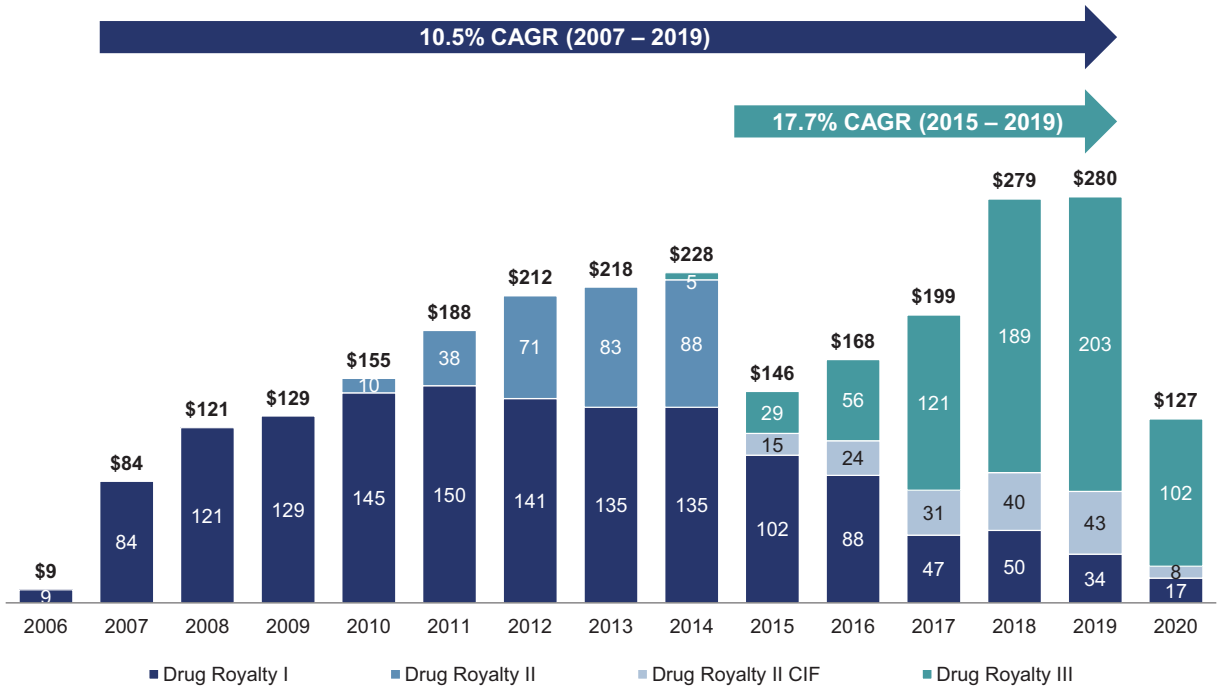
(1) Amounts provided for informational purposes to illustrate the historical capital deployed by the DRI Capital Funds and co-investors. Such amounts have been derived from internal financial information prepared in accordance with U.S. GAAP and not in accordance with IFRS. Such information is not intended to be representative of future capital to be deployed or the performance of the Seed Assets. Additional milestone and installment payments were made by Drug Royalty I in 2010 and Drug Royalty II and Drug Royalty II CIF in 2014 and 2015 in accordance with commitments entered during each fund's respective investment period. DRI Capital, along with certain co-investors, made investments prior to 2006. Drug Royalty I acquired 14 of these investments in a single transaction in 2006. DRI Capital and co-investors made certain other investments that were not purchased by the funds and which have been excluded from the chart above. Aggregate capital deployment figures by DRI Capital Fund may not correspond to aggregate historical deployment shown elsewhere in this prospectus due to rounding.

(2) Includes $28 million of deployment from Drug Royalty II and $10 million of deployment from co-investors.

(3) Includes $19 million of deployment from Drug Royalty II and $4 million from each of Drug Royalty II CIF and co-investors.

Between 2007 and 2019, the combined cash royalty receipts in the DRI Capital Funds grew at a CAGR of 10.5%. Following the sale of Drug Royalty II in 2015, the combined cash royalty receipts in the remaining funds grew at a CAGR of 17.7% from 2015 to 2019, demonstrating our manager's ability to replenish and grow the royalty portfolio in the DRI Capital Funds.

Historical Cash Royalty Receipts of DRI Capital Funds (US$M)



Notes:

(1) 2020 represents the aggregate of the nine month period ended September 30, 2020 and preliminary unaudited cash royalty receipts for the three months ended December 31, 2020. See "Summary Pro Forma and Historical Financial Information and Other Data – Preliminary 2020 Total Cash Royalty Receipts (Unaudited)".

(2) Amounts provided for informational purposes to illustrate the cash received from historical cash royalty receipts of the DRI Capital Funds and co-investors. Such amounts have been derived from internal financial information prepared in accordance with U.S. GAAP and not in accordance with IFRS. Such information is not intended to be representative of the future cash royalty receipts or performance of the Seed Assets.

(3) Drug Royalty III, L.P. currently owns 73.07% of Drug Royalty III LP 2. The 26.93% non-controlling interest in Drug Royalty III LP 2 is currently owned by another entity within the Drug Royalty III structure. Total Cash Royalty Receipts have been adjusted to include the non-controlling interest holder's 26.93% portion of cash royalty receipts in respect of the royalty assets referred to during the applicable period, including $9.4 million in 2017 and $1.7 million in 2018. This portion of cash royalty receipts was received during the period when the non-controlling interest holder directly held its portion of such royalty assets prior to its transfer to Drug Royalty III LP 2. The Trust will indirectly acquire 100% of Drug Royalty III LP 2 pursuant to the Closing Transactions.

The DRI Capital Funds have generated strong gross unlevered rates of return since 2006 as outlined in the following table.

Gross Unlevered Internal Rates of Return of DRI Capital Funds (US$M)

USD Millions	Capital Deployed[(1)]	Cash Royalty Receipts[(2)]	Terminal Value[(3)]	Gross Unlevered IRR[(4)]
Drug Royalty I	$645	$1,387	$108	**18.8%**
Drug Royalty II CIF	$82	$161	$5	**17.5%**
Drug Royalty III	$586	$705	$234	**20.2%**
AGGREGATE	**$1,313**	**$2,253**	**$347**	**18.9%**

Notes:

(1) Capital deployed represents the historical amount of capital deployed by Drug Royalty I, Drug Royalty II CIF and Drug Royalty III, excluding capital deployed by co-investors, as set out in the table "Historical Capital Deployment of the DRI Capital Funds and Co-Investors" above.

(2) Cash royalty receipts represents the historical aggregate cash royalty receipts received by the applicable DRI Capital Fund through December 31, 2020, as set out in the table "Historical Cash Royalty Receipts of DRI Capital Funds (US$M)" above.

(3) Terminal value represents the gross consideration attributable to the Seed Assets in each of Drug Royalty I, Drug Royalty II CIF and Drug Royalty III pursuant to the Closing Transactions. Drug Royalty II CIF only includes the DRIT Portfolio.

(4) Gross unlevered internal rate of return (GU IRR) represents an annualized rate of return of the cash flows of the applicable DRI Capital Fund. GU IRR is presented for each fund and calculated as the annualized, compounded rate of return based on annual cash flows which include (i) actual purchase prices paid for the royalty assets by each fund as outflows, (ii) actual cash royalty receipts by each fund as inflows, and (iii) a terminal value inflow in 2021 based on the gross consideration attributable to each fund. For the purposes of this calculation, for each of the funds, all cash inflows and outflows within each year are aggregated and recorded on the last day of the year during which they occurred, except for the terminal value which is recorded on the expected pricing date of this offering. The aggregate GU IRR is calculated on the same basis as individual GU IRR for each fund based on annual cash inflows, outflows and terminal value, aggregated for the three DRI Capital Funds referred to above. The calculation of GU IRR may differ from the calculation of unlevered rates of return by other issuers and pharmaceutical royalty businesses and may not be comparable to similar metrics presented by other issuers and pharmaceutical royalty businesses.

(5) Capital deployed, cash royalty receipts and GU IRR shown are not intended to be representative of the future capital to be deployed, the future cash royalty receipts, the future GU IRR or the performance of the Seed Assets or the Trust.

Investment Highlights

Direct exposure to the fast-growing global pharmaceutical industry

Global prescription pharmaceutical sales are estimated to grow at a 7.4% CAGR, from $900 billion in 2020 to almost $1.4 trillion by 2026, according to EvaluatePharma. Multiple drivers are believed to be fueling this growth, including population growth, an aging population, increasing life expectancy, new therapeutic treatment modalities and continued investment in medical research.

Royalties play an important role in the pharmaceutical industry and are often created through the development of pharmaceutical treatments and breakthrough therapies. Worldwide investment in pharmaceutical R&D reached $186 billion in 2019, representing a 5% CAGR since 2013, according to EvaluatePharma. Worldwide spending is projected to increase to $233 billion by 2026. We believe this increase is driven by the pace of innovation, increasing treatment complexity and the increasing cost of drug development.

We believe that increases in R&D investment, combined with increased outsourcing of R&D expenditures by large drug manufacturers and the contributions of smaller organizations such as academic institutions, non-profit organizations and smaller biotechnology companies, will expand pharmaceutical royalty investment opportunities across a broad range of innovators.

Growth strategy supported by DRI Capital's proven origination capabilities

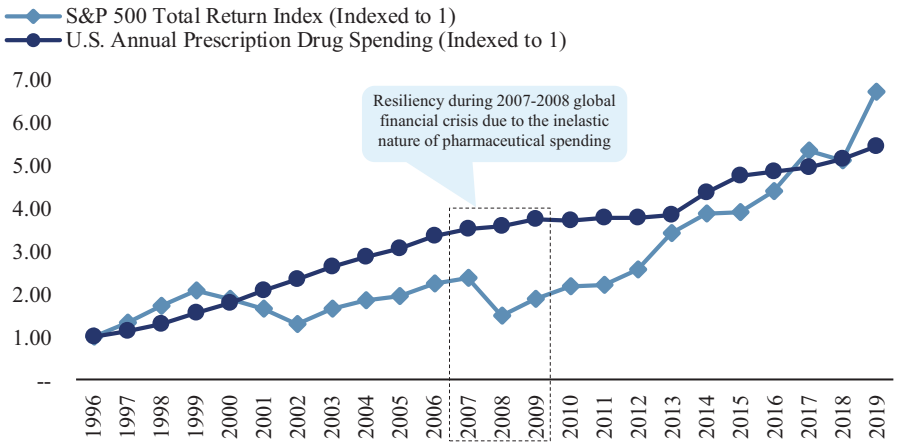
We have a focused growth strategy that leverages DRI Capital's experience, expertise and well-established industry relationships to support the replenishment and growth of our portfolio of pharmaceutical royalties. DRI Capital has demonstrated a consistent ability to identify and acquire royalty streams, having overseen the deployment of more than $2 billion of capital in 61 royalty streams on 37 products since the formation of its first privately managed fund in 2006. Managed by DRI Capital, our disciplined investment strategy will be predicated on active sourcing of royalties on medically necessary products with long term patent lives and growth potential. DRI Capital continuously reviews royalty acquisition opportunities and we currently have an acquisition pipeline of eight opportunities that we are actively reviewing, all of which meet our investment criteria.

We intend to continue to employ this strategy with an objective to acquire between $650 million to $750 million of pharmaceutical royalty interests over the next five years, which we expect to fund through the net proceeds of this offering, internally generated cash flow and debt financing through additional asset securitizations. We intend to begin deploying capital over the next 12 months using the Seed Assets as an attractive royalty acquisition platform, and will target long-term compounded growth in cash royalty receipts of between seven and nine percent from 2021 onwards.

Attractive business model with less susceptibility to traditional pharmaceutical and macroeconomic risks

Pharmaceutical spending in the United States has consistently grown over the past two decades and has demonstrated less susceptibility to some of the macroeconomic trends that have impacted more traditional asset classes, such as the broader equity market. For example, during the global financial crisis, the S&P 500 dropped 37% in value between December 31, 2007 and December 31, 2008. During the same period, spending on pharmaceuticals in the United States increased by 2%. Pharmaceutical royalties provide an opportunity to invest directly in pharmaceutical sales, which we believe is an asset class that provides a compelling form of diversification.

Comparison of Pharmaceutical Spending to S&P 500 Total Return Index



Source: Bloomberg, Centers for Medicare & Medicaid Services

Pharmaceutical royalties represent direct investments in pharmaceutical sales with less exposure to many of the traditional risks associated with the pharmaceutical industry, including clinical development, a focus on core therapeutic areas due to R&D and salesforce limitations, product commercialization risks, including limitations on product and geographical diversity and being subject to intense regulatory processes and development timelines, expenses relating to R&D, manufacturing, sales and marketing and potential liability risks. Royalty investing also provides very limited exposure to product liability. Medically-necessary products are generally demand inelastic, meaning that they are less sensitive to price changes than other products.

The Seed Assets consist of royalties on established, medically-necessary products with intellectual property protection that are backed by leading marketers and require no investments from our manager or us in R&D,

manufacturing or marketing. In the same way that our manager has assembled an attractive portfolio of diversified royalties that we will acquire on closing of this offering, we intend to build and diversify this portfolio and intend to optimize it to address our investment criteria and growth plans.

Partner of choice in the global pharmaceutical royalty sector focused on small to medium-sized growth transactions

Since DRC's founding in 1989, DRI Capital has become a global leader in pharmaceutical royalty investing. DRI Capital has decades of experience, building a refined investment strategy, a team of seasoned professionals and a network of external advisors to identify, evaluate and acquire royalties.

Led by a seasoned management and investment team and advisory panel with subject matter expertise and deep industry relationships that span geographies, indications and therapeutic areas, our manager has deployed over $2 billion of capital through the acquisition of 61 royalty streams since 2006. The DRI Capital Funds have experienced gross unlevered internal rates of return of 18.8%, 17.5% and 20.2%, respectively, for Drug Royalty I, Drug Royalty II CIF and Drug Royalty III. See the table "Gross Unlevered Returns of DRI Capital Funds (US$M)" in the section " – Track Record of Disciplined Capital Deployment" above.

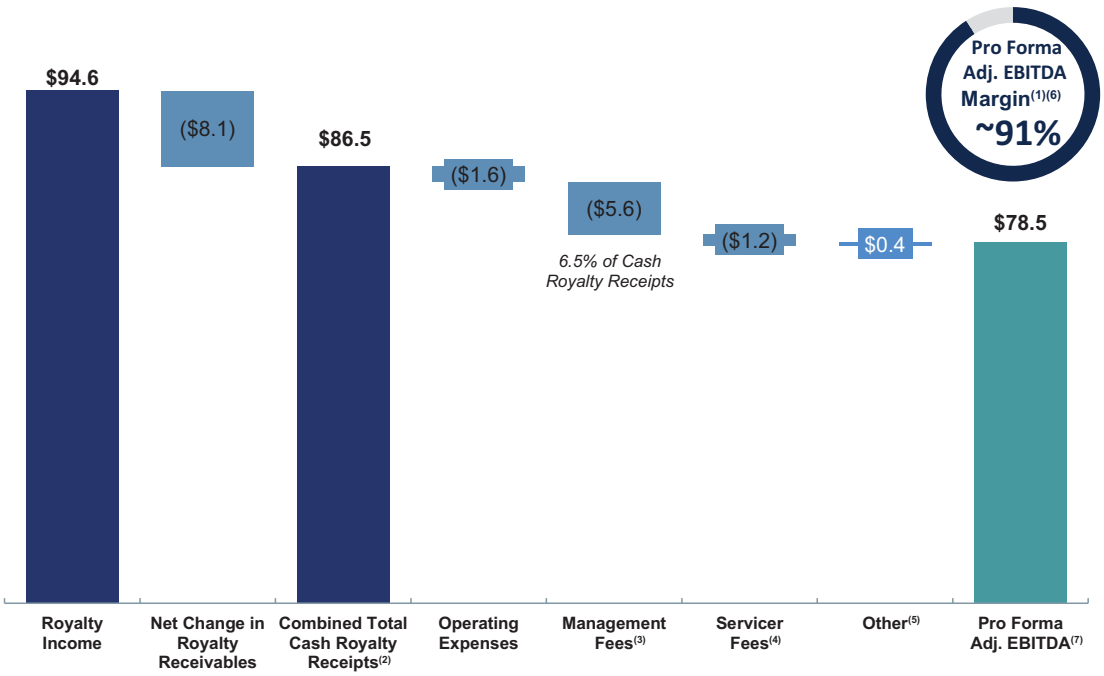
Our manager's professionals have the expertise to perform diligence across many therapeutic areas and the transaction experience and reputation to negotiate mutually beneficial royalty structures. DRI Capital's industry tenure has also enabled it to identify owners of existing royalties and build an active sourcing model that combines deep global networks of inventors, corporates, academics and research institutions with a proprietary database of more than 6,500 known or potential royalties on over 2,000 individual therapeutics. The royalties that we have acquired have been sourced from relationships that span the universe of royalty holders.

Robust cash flows from a high-quality, diversified pharmaceutical royalty portfolio

Our initial portfolio will be comprised of the Seed Assets, which consist of 18 royalty streams on leading commercialized pharmaceutical products that collectively generated nearly $30 billion in global product sales during 2019. The Seed Assets are diversified across eight therapeutic areas, including HIV, oncology, rare diseases, ophthalmology and others, and have a weighted-average remaining life of approximately eight years as at December 31, 2020, based on expected future cash royalty receipts. The majority of products underlying the royalty streams in the Seed Assets are marketed by a diverse group of industry leading, investment grade global pharmaceutical companies including Johnson & Johnson, Gilead, Biogen and Regeneron. In the nine months ended September 30, 2020, while the top five products accounted for 60% of our cash royalty receipts, no individual product accounted for more than 19% of our cash royalty receipts, no therapeutic area accounted for more than 29% of our cash royalty receipts and no marketer represented more than 25% of our cash royalty receipts.

Our business model operates with minimal overhead and requires limited ongoing capital expenditures, selling, general and administrative expenses and modest infrastructure to support growth. We believe the Seed Assets provide a high-quality stream of cash royalty receipts which, combined with our fixed management fee, results in attractive Adjusted EBITDA margins. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%.

Efficient Business Model Drives Attractive Adjusted EBITDA Margin[1]



Notes:

(1) For the nine months ended September 30, 2020.

(2) Includes $3.2 million of cash royalty receipts from a Legacy Product that has expired in accordance with its terms.

(3) Management fees that would have been paid by the Trust had the expected management fee arrangement been in place during the period.

(4) Amounts payable to DRI Capital for administrative services related to securitization indebtedness.

(5) Interest income and net realized gain on foreign exchange swaps.

(6) Pro forma Adjusted EBITDA Margin is calculated as Pro Forma Adjusted EBITDA divided by cash royalty receipts for the period.

(7) Excludes expenses the Trust expects to incur as a result of being a public entity, which are estimated to be $1.4 million per year.

Competitive Strengths

Longstanding investor in pharmaceutical royalties with a well-established network of partners

We believe our manager's brand and reputation enable us to maintain a key advantage in sourcing and executing royalty acquisitions to replenish and grow our portfolio. Our manager has a long and proven track record of identifying, structuring and negotiating royalty acquisitions that provide mutually beneficial outcomes to royalty vendors and investors in the DRI Capital Funds. DRI Capital has arranged for the purchase of multiple royalty streams that have resulted in positive outcomes for vendors, enabling those vendors to achieve asset diversification, fund their philanthropic goals or complete large capital projects. In addition, DRI Capital's track record and reputation provide vendors with a high degree of transaction certainty.

DRI Capital has strong credibility within the pharmaceutical royalty industry, stemming from its deep, specialized expertise and capabilities that span indications, therapeutic areas and geographies, making DRI Capital a partner of choice for a large universe of royalty vendors. This has enabled our manager to complete multiple repeat transactions with a single or related counterparty. For example, DRI Capital completed two transactions with a single academic institution over a three-year period, three transactions with a single inventor over a 10-year period and multiple transactions with a single corporate seller covering a range of products. Our manager's strong relationships and demonstrated history of positive experience with counterparties has enabled DRI Capital to broaden its relationship network and complete subsequent transactions with other connected parties.

Differentiated sourcing model resulting in the identification of attractive opportunities on high-quality assets with a compelling value proposition

DRI Capital has developed a systematic and repeatable approach to transaction sourcing that is built on a foundation of deep industry knowledge and relationships. Royalty holdings and corresponding transactions are frequently undisclosed and are often connected through a private network of buyers and sellers. This makes it difficult to track potential opportunities and requires a history of investigative work to identify and source potential transactions. Our manager has built a proprietary database through continuous monitoring of innovators, treatments and development processes that contains more than 6,500 royalties on over 2,000 drugs. This database allows for an early approach and cultivation of relationships with royalty holders in advance of a potential monetization event, while remaining agnostic to therapeutic area. As a result, we will have access to a strong funnel of opportunities in non-competitive or low competition processes which often allows us to seek out best-in-class assets, avoid broker-led auctions and drive acquisitions of attractive royalty streams to replenish and grow our portfolio. We currently have an acquisition pipeline of eight opportunities that we are actively reviewing, all of which meet our investment criteria.

Capabilities to quickly identify, evaluate and execute prospective transactions

Our manager, its investment team and its advisory panel all possess significant transaction execution experience as well as deep industry knowledge. Through the evaluation of hundreds of potential royalty transactions, DRI Capital has established and refined its internal processes to allow for a rapid and well-informed evaluation of the merits and considerations of a potential transaction, supporting an expedited path to close. Transactions are evaluated through a rigorous process comprised of a comprehensive review of scientific, financial, intellectual property, regulatory and legal considerations. DRI Capital's due diligence process leverages extensive internal experience, proprietary data sources, historical analyses and external support when necessary, with a focus on generating stable growth in cash flows. We believe our manager's depth of expertise and comprehensive review process will allow us to identify opportunities with upside or potential risks that others may not uncover.

As a result of our manager's experience, we benefit from significant product and therapeutic area expertise, including an understanding of patient and physician preferences, treatment regimens, competitive environments, pricing and reimbursement and other matters that impact the commercial success of a drug. In the past, DRI Capital has applied this knowledge to either complete multiple acquisitions within similar indications or to enter into multiple transactions for a single product. For example, DRI Capital acquired multiple royalties on blockbuster products that are used for the treatment of autoimmune diseases such as rheumatoid arthritis, psoriasis and psoriatic arthritis including Remicade, Enbrel, Simponi and Stelara. Our manager has also leveraged product expertise to acquire multiple royalty streams on a single product, including the acquisition of two separate royalty entitlements on Eylea. We expect to continue to apply our manager's experience to seek out opportunities in therapeutic areas and specific products where we possess a deep understanding that puts us in an advantageous position to replenish and grow our portfolio.

Operating within an attractive and targeted market niche

We believe DRI Capital is one of a few acquirors that focuses on and has the depth of experience to successfully complete small- to medium-sized growth-oriented transactions in the $25 million to $150 million range. Since 2006, DRI Capital has overseen the deployment of nearly $1.3 billion on royalty acquisitions in the $25 million to $150 million size range. DRI Capital's focused strategy does not compete directly with the large-cap public investors, institutional asset managers or public pension plans who typically require larger investment sizes and for whom smaller investments may be out of scope. Additionally, our manager's growth focus does not compete with other investment managers with fixed income-like strategies.

We believe there are high barriers to entry for new competitors in the segment of the pharmaceutical royalty market in which our manager carries on business, given the capabilities, expertise and experience necessary to successfully assess and negotiate a royalty opportunity as well as the limited available public documentation on royalty ownership. We believe that our competitive positioning along with our manager's broad relationships and track record of exemplary asset identification and sourcing allows for repeatable transaction sourcing and execution that is not easily replicated by competitors.

Ability to offer flexible transaction structures and certainty of closing to meet the needs of royalty sellers

Royalty sellers often have a number of defined objectives with respect to transaction structure, timing and certainty of close. Our manager seeks to drive mutually beneficial outcomes through creative structures that may include royalties within specific geographies, performance thresholds, milestone payments and other bespoke payment arrangements. Our manager's ability to offer bespoke payment arrangements has been characterized by the use of the accelerated royalty transaction structure that was used to acquire Ilaris, Simponi and Stelara. This structure allowed the royalty vendor to receive payments over a time period that matched their capital requirements. We will have flexibility to structure transactions through a variety of means including traditional royalties, synthetic royalties, debt collateralized by royalties or other instruments that are based on the achievement of financial or development targets across both human and animal life sciences. We will take an agnostic approach to therapeutic areas, treatment modalities and technologies, which will offer us access to broad opportunities that will be evaluated against our investment criteria. When opportunities meet our investment criteria, we expect our manager's nimble investment team and access to capital will enable us to close on transactions efficiently.

Growth Strategy

We intend to grow our business by focusing on the acquisition of medically necessary products with long term patent protection and growth potential. Based on our manager's track record and strong acquisition pipeline, we see significant opportunities to acquire traditional pharmaceutical royalties and to create new, synthetic royalty streams. Our objective is to purchase between $650 million to $750 million of royalties over the next five years. Using the Seed Assets as an attractive royalty acquisition platform, we will target transactions that will generate long-term compounded growth in cash royalty receipts of between seven and nine percent from 2021 onwards. We expect to fund these acquisitions through the net proceeds of this offering, reinvestment of cash flow generated by the Seed Assets and the use of leverage.

The key elements of our strategy are outlined below.

Acquire additional royalties in target segments

The pharmaceutical industry is experiencing strong growth driven by a rapid pace of innovation, as evidenced by accelerating FDA drug approvals, new technology and increasing treatment complexity. As a result of these trends, combined with the increasing cost of development, we expect an increasing number of royalty acquisition opportunities. Our strategy is focused on the acquisition of royalty streams that meet our investment criteria and are based on the sales of drugs, therapeutics, devices, diagnostics and other life sciences technologies that:

- are either medically necessary or improve patient quality of life;
- have strong growth potential;
- are being developed or marketed by industry leading, high-quality life sciences companies;
- benefit from strong and long-lasting intellectual property (consistent with a targeted weighted-average duration of approximately eight years);
- are in the $25 million to $150 million investment size range; and
- are expected to provide us with a 12% gross unlevered internal rate of return, on average.

Through our manager's deep market relationships and unique sourcing ability, we seek to acquire royalties on products that generate stable and predictable sales with growth potential, such as products with the potential for approvals for new indications and / or new geographies. We will continue to maintain a flexible approach to transaction structure on products that meet our investment criteria. This strategy includes acquiring traditional royalties on existing products and technologies as well as direct collaboration with marketers to create and acquire synthetic royalties on their existing products and technologies. We are continuously reviewing royalty acquisition opportunities and currently have a pipeline of eight opportunities that we are actively reviewing.

Selectively pursue pre-approval product transactions

We intend to supplement our portfolio of royalties on approved and commercialized products with the acquisition of royalties on selected products that have not yet been granted regulatory approval in any major markets. We will employ a highly selective approach in therapeutic areas where our manager has the depth of knowledge required to minimize risk. All potential transactions will be evaluated against our investment criteria and will be subject to our manager's rigorous due diligence process. We will focus on products that are in the late-stages and demonstrating promising results in clinical development, are connected to established marketers and offer the potential to generate attractive risk-adjusted returns. We may structure these transactions in a number of forms, including monetization of an existing traditional royalty or providing capital in exchange for a synthetic royalty on future product sales.

Broad access to capital enhances our ability to execute our growth strategy

As a publicly listed entity, we expect to be well capitalized to execute on our growth strategy and expect to have access to a number of capital sources including: (i) net proceeds from this offering; (ii) internally generated cash flow; (iii) debt financing, including securitization; (iv) the issuance of Trust units to royalty sellers; and (v) future public equity issuances. Based on securitization indebtedness of approximately $69.1 million as of January 15, 2021 and our pro forma Adjusted EBITDA of $78.5 million for the nine months ended September 30, 2020, our debt to pro forma Adjusted EBITDA ratio would be less than one.

The quality and long-term nature of the royalty streams previously acquired by the DRI Capital Funds have allowed our manager to add leverage to the capital structure of the DRI Capital Funds. Through the strategic use of leverage, our manager has been able to accelerate the return of invested equity, grow the royalty portfolios held by the DRI Capital Funds, optimize the cost of capital and create value for fund investors. Our manager has raised the majority of fund debt in the asset-backed securities market. We believe that DRI Capital has unmatched expertise in securitization transactions for pharmaceutical royalties. Since 2005, the DRI Capital Funds have issued 10 series of senior secured notes through the securitization of pharmaceutical royalties totalling approximately $2 billion, all of which received investment grade credit ratings. Past issuances have ranged in size from $68.5 million to $450 million and included a basket of between eight and 31 royalty streams. Our manager's successful track record of debt issuances, combined with the durability of the underlying royalty streams, has made the debt securitization market an attractive and low-cost financing source. We believe this funding source provides debt capacity for future royalty acquisitions and our continued access to this market represents a meaningful competitive advantage.

Overview of the Seed Assets

We will acquire the Seed Assets on closing using cash of approximately $292.7 million from the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. The Seed Assets consist of 18 royalty streams on 14 products. We believe the Seed Assets represent an attractive and diversified portfolio of high quality, cash-generating royalty assets that are marketed by leading, global pharmaceutical companies. We also believe that the global sales of the products in our portfolio highlight the importance of each drug to its marketers and the success of the product in the geographies where it is sold. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%. It is estimated that total cash royalty receipts for Fund I, DR III LP and the RMF 2 Portfolio for the year ended December 31, 2020 were approximately $127.0 million. See preliminary unaudited cash royalty receipts for the three months ended December 31, 2020. See "Summary Pro Forma and Historical Financial Information and Other Data – Preliminary 2020 Total Cash Royalty Receipts (Unaudited)".

We classify the Seed Assets based on the expected expiry of the royalties in the principal royalty-bearing geography for each applicable product. The Seed Assets include seven Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021, and seven Mature Products, for which royalty entitlements in primary geographies have expired or are expected to expire before December 31, 2021. When DRI Capital accumulated the Seed Assets, they had an average duration of approximately 12 years until the expected expiry date of the royalty ("**Royalty Life**").

The table below provides an overview of the Seed Assets and outlines expected royalty expirations based on our manager's estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty bearing sales may also affect these estimates as a result of caps or other structuring elements.

Product Name	Primary Marketer(s)	Therapeutic Area	FDA Approval Date	2019 Worldwide Sales ($MM)[1]	2019 Cash Royalty Receipts ($MM)	Expected Royalty Expiry[6]
Core Products						
Spinraza	Biogen	Rare Diseases	December 2016	$ 2,097	$20.8	Q3 2031
Xolair	Roche Novartis	Respiratory	June 2003	$ 3,154	$ 8.8	Q2 2032
Eylea[2]	Bayer Regeneron Santen	Ophthalmology	November 2011	$ 7,542	$14.8	Q1 2027
Zytiga	Johnson & Johnson AstraZeneca	Oncology	September 2011[3]	$ 2,795	$18.6	Q2 2028
Natpara	Takeda	Endocrinology	January 2015	$ 184	$12.9	Q3 2024
Rydapt	Novartis	Oncology	April 2017	Not Publicly Disclosed	$ 6.0	Q1 2025
FluMist	AstraZeneca	Vaccine	June 2003	$ 113	$ 1.2	Q4 2023
Mature Products						
Complera[4]	Gilead Johnson & Johnson	HIV	August 2011	$ 406	$ 5.1	Q2 2021
Edurant[4]	Johnson & Johnson	HIV	May 2011	$ 861	$ 3.4	Q2 2021
Juluca[4]	ViiV	HIV	November 2017	$ 467	$ 4.0	Q2 2021
Odefsey[4]	Gilead Johnson & Johnson	HIV	March 2016	$ 1,655	$17.6	Q2 2021
Ilaris[5]	Novartis	Autoimmune Disease	June 2009	$ 671	$ 3.4	Q1 2025
Simponi[5]	Johnson & Johnson Merck Mitsubishi Tanabe	Autoimmune Disease	April 2009	$ 3,018	$18.8	Q1 2025
Stelara[5]	Johnson & Johnson Mitsubishi Tanabe	Autoimmune Disease	September 2009	$ 6,361	$59.8	Q2 2024

Notes:

(1) Worldwide sales as reported by respective product marketers.

(2) The Seed Assets include two royalty streams on Eylea, which we refer to as Eylea I and Eylea II.

(3) Represents the European Commission approval date.

(4) Part of the Rilpivirine Portfolio.

(5) The Seed Assets include two royalty streams on each product with one stream on each currently held within Drug Royalty III (the DRIT Portfolio) and one stream on each product within Drug Royalty II CIF, for a total of 6 streams.

(6) Quarter during which the final royalty payment is expected.

Corporate Information

DRI Healthcare Trust was established as an unincorporated open-ended trust on October 21, 2020 under the laws of the Province of Ontario. From and after the closing of this offering, the Trust will be a "mutual fund trust" as defined in the Tax Act, 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. A copy of our declaration of trust can be obtained from us during the period of distribution of the units and will be available on SEDAR at www.sedar.com.

SUMMARY OF THE OFFERING

Issuer:	DRI Healthcare Trust
Offering:	● units (● units if the Over-Allotment Option is exercised in full).
Offering Price:	$ ● per unit.
Offering Size:	$ ● ($ ● if the Over-Allotment Option is exercised in full).
Over-Allotment Option:	We have granted the Underwriters an option, exercisable in whole or in part, at any time for a period of 30 days after the Closing Date, to purchase from us up to an additional ● units (representing approximately 15% of the number of units sold under the base offering, which does not include the units to be purchased in the concurrent private placement) at the Offering Price solely to cover over-allotments, if any.
Units Outstanding:	Upon completion of this offering, an aggregate of ● units and no preferred units will be issued and outstanding. See "Description of Equity Capital".
Use of Proceeds:	The net proceeds of this offering are estimated to be approximately $ ● million ($ ● if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee payable in connection with this offering and the estimated expenses of this offering. The Underwriters' fee and the expenses of this offering will be paid out of the gross proceeds of this offering. Concurrently with the completion of this offering, DRI Capital, certain of its personnel and certain current and former investors in the DRI Capital Funds and certain other investors will purchase an aggregate of ● units of the Trust by way of private placement at a price of $ ● per unit, resulting in total proceeds to us of $34,730,000. The purchase price per unit reflects a discount of $ ● to the Offering Price. This prospectus does not qualify the distribution of the units sold pursuant to the concurrent private placement. Completion of the concurrent private placement is conditional upon the completion of this offering and this offering is conditional upon the completion of the concurrent private placement. The units issued pursuant to the concurrent private placement will be subject to hold periods or resale restrictions under applicable laws. We estimate that the combined gross proceeds from this offering (at an assumed Offering Price of $10.00 per unit) and the concurrent private placement will be approximately $400 million. We anticipate issuing approximately 40,100,000 units pursuant to this offering and the concurrent private placement (or approximately 45,600,000 units if the Over-Allotment Option is exercised in full). Following the closing of this offering, we will use approximately $292.7 million of the net proceeds of this offering and the concurrent private placement to acquire the Seed Assets and related working capital through a series of steps which are summarized in "Organizational Structure". We will also assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. We will use the remainder of the net proceeds of this offering, together with the net proceeds, if any, from the issuance of units by us on exercise of the Over-Allotment Option, for funding future royalty acquisitions and general purposes, which is not expected to include any repayment of indebtedness. See "Use of Proceeds".

Description of Equity Capital:	Upon completion of this offering, our authorized equity capital will consist of (i) an unlimited number of units, and (ii) an unlimited number of preferred units, issuable in series. See "Description of Equity Capital".
Distribution Policy:	We have not declared or paid any distributions since the formation of the Trust and will not declare or pay any distributions prior to the completion of this offering. We anticipate paying cash distributions equal to approximately 20% to 30% of our available cash generated on an annual basis, which we define as cash generated from operating activities, less interest paid, debt repayment obligations on our securitization indebtedness and debt issuance costs. We currently intend to pay such cash distributions in the form of four quarterly cash distributions and one additional special cash distribution. Assuming that ● units are outstanding after this offering, we anticipate that the amount of our quarterly cash distributions initially will be $ ● per unit. Our first cash distribution, which will be for the period from and including the Closing Date to March 31, 2021, is expected to be paid on or about April 20, 2021 to unitholders of record on March 31, 2021 and is estimated to be $ ● per unit. Distributions in respect of a quarter will be paid on or about each distribution date to unitholders of record as at the close of business on the corresponding distribution record date. We generally expect the distribution for any quarter to be paid to unitholders of record at the close of business on the last day of the quarter, with such distribution to be paid on or about the 20th day of the following month. The additional special cash distribution is anticipated to be paid on or about January 20 to unitholders of record at the close of business on December 31 in each year. The payment of any distributions by us will be at the sole discretion of our board of trustees, which may change our distribution policy at any time, and will be paid out of our distributable reserves. Our board of trustees will take into account general economic and business conditions, our strategic plans and prospects, our business and asset acquisition opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our unitholders, and such other factors as our board of trustees may deem relevant. The payment of distributions is therefore not guaranteed. We intend to distribute a significant portion of our cash flow from operations to our unitholders, such that our Canadian-resident taxable unitholders would generally receive annual cash distributions (in the form of four quarterly cash distributions and one additional special cash distribution) from us sufficient to cover their respective Canadian income tax liability under the Tax Act, but there can be no assurance in this regard. See "Distribution Policy", "Description of Indebtedness" and "Risk Factors".
Lock-Up Arrangements:	Each of the Trust, the trustees and executive officers of the Trust, DRI Capital and certain of its senior management has agreed that he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters, such consent not to be unreasonably withheld, issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of our equity securities, or other securities convertible or exchangeable into or otherwise exercisable into our equity securities or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the

	economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing for a period commencing on the Closing Date and ending 180 days after the Closing Date, subject to certain limited exceptions, including the sale of our securities pursuant to the exercise of the Over-Allotment Option, or the issuance of our securities pursuant to or in connection with our equity incentive compensation plans.
TSX Trading Symbol:	Canadian dollars – "DHT.UN" U.S. dollars – "DHT.U"
Risk Factors:	An investment in our units is subject to a number of risk factors that should be carefully considered by prospective investors. Prospective purchasers should carefully consider the risk factors described under "Risk Factors" and other information included in this prospectus before purchasing our units.

SUMMARY PRO FORMA AND HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables present summary pro forma and historical financial information and other data for the periods and as at the dates indicated therein. The following selected pro forma and summary financial information and other data have been derived from: (i) the consolidated financial statements of the Trust as at and for the period ended December 31, 2020, (ii) the pro forma consolidated financial statements of the Trust as at and for the nine month period ended September 30, 2020 and the year ended December 31, 2019, (iii) the audited combined and consolidated financial statements of Drug Royalty Fund I, or Fund I, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed combined and consolidated financial statements of Fund I for the three and nine month periods ended September 30, 2020 and 2019, (iv) the audited consolidated financial statements of Drug Royalty III, L.P., or DR III LP, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed consolidated financial statements of DR III LP for the three and nine month periods ended September 30, 2020 and 2019, and (v) the audited carve-out financial statements of RMF 2 Co-Investment Fund Portfolio, or the RMF 2 Portfolio, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed carve-out financial statements of the RMF 2 Portfolio for the three and nine month periods ended September 30, 2020 and 2019, in each case, included elsewhere in this prospectus.

We refer to three categories of royalty assets: “Core Products”, “Mature Products” and “Legacy Products”. Core Products are products for which royalty entitlements in primary geographies are expected to expire after December 31, 2021. Mature Products are products for which royalty entitlements in primary geographies are expected to expire before December 31, 2021. Legacy Products are products for which royalty entitlements have already expired in accordance with their terms. The Legacy Products do not form part of the Seed Assets. However, the assets, liabilities and results of operations of the Legacy Products are reflected in the historical financial statements included elsewhere in this prospectus and in this summary.

In this prospectus, we use the term “cash royalty receipts”. We also refer to certain non-IFRS measures, namely Total Cash Royalty Receipts, Adjusted EBITDA and Adjusted EBITDA Margin. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to help understand our business and the assets that we will acquire pursuant to the Closing Transactions. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

This information is a summary only. Pro forma and historical results are not necessarily indicative of the results that may be expected for any future period.

Prospective investors should review this information in conjunction with our consolidated financial statements including the notes thereto as well as “About this Prospectus”, “Meaning of Certain References”, “Non-IFRS Measures and Industry Data”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Use of Proceeds”, “Consolidated Capitalization”, “Description of Indebtedness” and “Description of Equity Capital” included elsewhere in this prospectus.

Selected Pro Forma Financial Information

	For the nine month period ended September 30, 2020 (Pro Forma)						
	Trust	Fund I	DR III LP	RMF 2 Portfolio	Subtotal	Pro Forma Adjustments	Pro Forma
Pro Forma Statement of Income (Loss) Data:							
Income							
Royalty income	—	$10,727,612	$79,346,670	$4,480,213	$94,554,495	—	$94,554,495
Interest income	—	—	92,622	5,467	98,089	—	98,089
	—	**10,727,612**	**79,439,292**	**4,485,680**	**94,652,584**	**—**	**94,652,584**
Expenses[1]							
Amortization of royalty investments	—	2,624,718	40,543,761	1,754,693	44,923,172	(12,062,527)[5]	32,860,645
Reversal of impairment of royalty investments	—	—	(1,028,942)	—	(1,028,942)	—	(1,028,942)
Interest expense and finance fees	—	—	4,173,889	—	4,173,889	—	4,173,889
Servicer fees[2]	—	—	1,200,000	—	1,200,000	—	1,200,000
Performance fees	—	—	—	591,502	591,502	(591,502)[6]	—
Management fees	—	—	—	—	—	5,622,950[7]	5,622,950
Operating expenses	362	300,907	1,227,276	56,453	1,584,998	—	1,584,998
Net change in unrealized depreciation of interest rate swap	—	—	5,528	—	5,528	—	5,528
Net change in unrealized depreciation of foreign exchange swaps	—	—	430,005	—	430,005	—	430,005
Net realized gain on foreign exchange swap	—	—	(342,818)	—	(342,818)	—	(342,818)
	362	**2,925,625**	**46,208,699**	**2,402,648**	**51,537,334**	**(7,031,079)**	**44,506,255**
Net income (loss) and comprehensive income (loss)	**($362)**	**$ 7,801,987**	**$33,230,593**	**$2,083,032**	**$43,115,250**	**$ 7,031,079**	**$50,146,329**
Non-IFRS Measures[3]							
Total Cash Royalty Receipts	**—**	**$12,026,984**	**$68,274,224**	**$6,205,708**	**—**	**—**	**—**
Adjusted EBITDA	**($362)**	**$11,726,077**	**$66,282,388**	**$5,563,220**	**$83,571,323**	**($ 5,031,448)**	**$78,539,875**
Adjusted EBITDA Margin[4]							**91%**

Notes:

(1) Excludes expenses the Trust expects to incur as a result of being a public company, which are estimated to be $1.4 million per year.

(2) Servicer fees represent fees paid to DRI Capital, in its capacity as the servicer with respect to Fund III's outstanding securitization indebtedness. See "Description of Indebtedness".

(3) See "Reconciliation of Non-IFRS Measures (Pro Forma)" and "Reconciliation of Non-IFRS Measures" below.

(4) Adjusted EBITDA Margin is Adjusted EBITDA, divided by the sum of Total Cash Royalty Receipts for each of Fund I, DR III LP and the RMF 2 Portfolio.

(5) The historical amortization related to the Seed Assets was $44,534,066 for the nine months ended September 30, 2020 and for other royalty investments, which have expired and are not included in the Seed Assets, was $389,106 for the nine months ended September 30, 2020 for total amortization of $44,923,172 for the nine months ended September 30, 2020. For the purposes of the pro forma consolidated financial statements, the Trust is required to eliminate the historical amortization associated with the Seed Assets and present the amortization based on the fair value of the Seed Assets acquired as if the transaction had occurred on January 1, 2019. As described in note 3(a) to the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, the Trust has determined the fair value of the Seed Assets primarily using the discounted expected future cash flow of the royalty investments as of the acquisition date. The acquisition date fair value of the Seed Assets in aggregate including royalties receivable at September 30, 2020 is lower than the carrying value of those assets as at January 1, 2019 due to ordinary course receipt of royalties on the assets over time and the impact on the fair value of certain Seed Assets of the end of royalty entitlements in certain geographic regions in 2019 and 2020. As a result, the amortization reported in the unaudited pro forma consolidated statement of net income, determined based on the acquisition-date fair value of the Seed Assets is lower than the combined historical amortization reflected in the financial statements of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. The impact of these adjustments is a net decrease in amortization of $12,062,527 for the nine months ended September 30, 2020 related to the Seed Assets. The pro forma amortization of royalty investments reflected in the pro forma consolidated financial statements of the Trust giving effect to the adjustment noted above represents amortization for the Seed Assets of

$32,471,539 for the nine months ended September 30, 2020 and for other royalty investments that have expired of $389,106 for the nine months ended September 30, 2020 for total amortization of $32,860,645 for the nine months ended September 30, 2020.

(6) To eliminate performance fees associated with the Seed Assets of $591,502 for the nine months ended September 30, 2020 in the unaudited pro forma consolidated statement of net income and comprehensive income as these performance fees will not be reflective of the Trust's fee arrangements with DRI Capital pursuant to the management agreement. Pursuant to the management agreement, no performance fees will be paid in respect of the Seed Assets.

(7) To reflect management fees that would have been paid by the Trust to DRI Capital had the expected management fee arrangement that is to be in place after the Acquisition been in place for the nine months ended September 30, 2020. Management fees payable by the Trust to DRI Capital as per the management agreement are to be calculated as 6.5% of Cash Royalty Receipts during the period.

	As at September 30, 2020 (Pro Forma)						
	Trust	**Fund I**	**DR III LP**	**RMF 2 Portfolio**	**Subtotal**	**Pro Forma Adjustments**	**Pro Forma**
Pro Forma Statement of Financial Position Data:							
Cash and cash equivalents	$ 10	$ 99,388	$ 1,964,848	$ 29,872	$ 2,094,118	$107,084,418[(1)(2)(3)]	$109,178,536
Funds held in trust	—	—	16,626,738	—	16,626,738	13,503,643[(2)]	30,130,381
Royalties receivable	—	6,249,197	32,445,710	1,600,955	40,295,862	1,642,218[(2)]	41,938,080
Royalty investments, at net book value	—	41,876,521	168,793,383	1,313,977	211,983,881	93,563,845[(2)]	305,547,726
Total assets	10	48,289,096	222,732,855	2,950,344	273,972,305	214,925,958	488,898,263
Accounts payable and accrued liabilities	362	101,224	1,414,544	33,406	1,549,536	21,856,461[(2)(4)]	23,405,997
Secured notes payable – current	—	—	51,476,145	—	51,476,145	(6,295,315)[(2)]	45,180,830
Secured notes payable – non-current	—	—	46,019,482	—	46,019,482	(3,950,880)[(2)]	42,068,602
Total liabilities	362	101,224	98,910,171	39,561	99,051,318	11,604,111	110,655,429
Total equity	($352)	$48,187,872	$123,822,684	$2,910,783	$174,920,987	$203,321,847	378,242,834

Notes:

(1) Upon completion of this offering and the concurrent private placement, the Trust will receive gross cash proceeds of $400,000,000 and use $292,669,843 of the proceeds of this offering to indirectly acquire the Seed Assets and related working capital. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets . As of September 30, 2020, the net book value of securitization indebtedness was $97,495,627. On October 15, 2020 and January 15, 2021, principal repayments were made on the securitization indebtedness in the amounts of $10,453,465 and $18,181,925 respectively. The net book value of indebtedness as of January 15, 2021 was $69,101,342. In addition, at September 30, 2020, the net book value of securitization indebtedness included $1,063,468 of deferred financing fees which were reduced by $241,105 to $822,363 as of January 15, 2021.

(2) As described in note 3(a) of the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, royalty investments and the working capital accounts of the Trust have been adjusted to reflect the preliminary fair value estimates of the assets acquired, and the liabilities assumed as a result of the Closing Transaction.

(3) To eliminate $29,872 in cash as in accordance with the purchase and sale agreement, as part of the Closing Transactions, the Trust will only be acquiring the royalty investments and related royalties receivable from the RMF 2 Portfolio and will not be acquiring any working capital as part of the Acquisition.

(4) Includes expenses of this offering of $21,756,814, including the Underwriters' Fee, the elimination of $33,406 in accounts payable and accrued liabilities related to the RMF 2 Portfolio that will not be acquired by the Trust and the adjustments noted in (2) above.

	For the year ended December 31, 2019 (Pro Forma)						
	Trust	Fund I	DR III LP	RMF 2 Portfolio	Subtotal	Pro Forma Adjustments	Pro Forma
Pro Forma Statement of Income Data:							
Income							
Royalty income	—	$30,906,643	$144,300,491	$33,950,473	$209,157,607	—	$209,157,607
Interest income	—	54,918	969,129	65,997	1,090,044	—	1,090,044
	—	**30,961,561**	**145,269,620**	**34,016,470**	**210,247,651**	**—**	**210,247,651**
Expenses							
Amortization of royalty investments	—	12,933,318	82,631,024	13,174,658	108,739,000	(37,768,629)[2]	70,970,371
(Reversal of) impairment of royalty investments	—	(406,307)	9,880,791	—	9,474,484	—	9,474,484
Interest expense and finance fees	—	54,571	10,285,629	—	10,340,200	—	10,340,200
Servicer fees[1]	—	265,000	1,600,000	—	1,865,000	—	1,865,000
Performance fees	—	—	—	6,666,174	6,666,174	(6,666,174)[3]	—
Management fees	—	—	—	—	—	18,222,190[4]	18,222,190
Operating expenses	—	497,631	2,659,759	60,975	3,218,365	—	3,218,365
Net change in unrealized (appreciation) depreciation of interest rate swap	—	(10,580)	152,517	—	141,937	—	141,937
Net change in unrealized depreciation of foreign exchange swaps	—	—	489,000	—	489,000	—	489,000
Net realized gain on foreign exchange swap	—	—	(633,056)	—	(633,056)	—	(633,056)
	—	**13,333,633**	**107,065,664**	**19,901,807**	**140,301,104**	**(26,212,613)**	**114,088,491**
Net income and comprehensive income	**—**	**$17,627,928**	**$ 38,203,956**	**$14,114,663**	**$ 69,946,547**	**$ 26,212,613**	**$ 96,159,160**

Notes:

(1) Servicer fees represent fees paid to DRI Capital, in its capacity as the servicer with respect to Fund III's outstanding securitization indebtedness. See "Description of Indebtedness".

(2) The historical amortization related to the Seed Assets was $95,607,755 for the year ended December 31, 2019 and for other royalty investments, which have expired and are not included in the Seed Assets, was $13,131,245 for the year ended December 31, 2019 for total amortization of $108,739,000 for the year ended December 31, 2019. For the purposes of the pro forma consolidated financial statements, the Trust is required to eliminate the historical amortization associated with the Seed Assets and present the amortization based on the fair value of the Seed Assets acquired as if the transaction had occurred on January 1, 2019. As described in note 3(a) to the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, the Trust has determined the fair value of the Seed Assets primarily using the discounted expected future cash flow of the royalty investments as of the acquisition date. The acquisition date fair value of the Seed Assets in aggregate including royalties receivable at September 30, 2020 is lower than the carrying value of those assets as at January 1, 2019 due to ordinary course receipt of royalties on the assets over time and the impact on the fair value of certain Seed Assets of the end of royalty entitlements in certain geographic regions in 2019 and 2020. As a result, the amortization reported in the unaudited pro forma consolidated statement of net income, determined based on the acquisition-date fair value of the Seed Assets is lower than the combined historical amortization reflected in the financial statements of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. The impact of these adjustments is a net decrease in amortization of $37,768,629 for the year ended December 31, 2019 related to the Seed Assets. The pro forma amortization of royalty investments reflected in the pro forma consolidated financial statements of the Trust giving effect to the adjustment noted above represents amortization for the Seed Assets of $57,839,126 for the year ended December 31, 2019 and for other royalty investments that have expired of $13,131,245 for the year ended December 31, 2019 for total amortization of $70,970,371 for the year ended December 31, 2019.

(3) To eliminate performance fees associated with the Seed Assets of $6,666,174 for the year ended December 31, 2019 in the unaudited pro forma consolidated statement of net income and comprehensive income as these performance fees will not be reflective of the Trust's fee arrangements with DRI Capital pursuant to the management agreement. Pursuant to the management agreement, no performance fees will be paid in respect of the Seed Assets.

(4) To reflect management fees that would have been paid by the Trust to DRI Capital had the expected management fee arrangement that is to be in place after the Acquisition been in place for the year ended December 31, 2019. Management fees payable to DRI Capital as per the management agreement are to be calculated as 6.5% of Cash Royalty Receipts during the period.

Reconciliation of Non-IFRS Measures (Pro Forma)

The following table reconciles net income and comprehensive income to Adjusted EBITDA based on the historical financial information of Fund I, DR III LP and the RMF 2 Portfolio for the period indicated.

	For the nine month period ended September 30, 2020 (Pro Forma)						
	Trust	Fund I	DR III LP	RMF 2 Portfolio	Subtotal	Pro Forma Adjustments	Pro Forma
Reconciliation of net income (loss) and comprehensive income (loss) to Adjusted EBITDA:							
Net income (loss) and comprehensive income (loss)	($362)	$ 7,801,987	$ 33,230,593	$ 2,083,032	$ 43,115,250	$ 7,031,079	$ 50,146,329
Amortization of royalty investments	—	2,624,718	40,543,761	1,754,693	44,923,172	(12,062,527)	32,860,645
Interest expense and finance fees	—	—	4,173,889	—	4,173,889	—	4,173,889
EBITDA	**($362)**	**$10,426,705**	**$ 77,948,243**	**$ 3,837,725**	**$ 92,212,311**	**($ 5,031,448)**	**$ 87,180,863**
Adjustments:							
Royalties receivable, beginning of period	—	7,548,569	21,373,264	3,326,450	32,248,283	—	32,248,283
Royalties receivable, end of period	—	(6,249,197)	(32,445,710)	(1,600,955)	(40,295,862)	—	(40,295,862)
Reversal of impairment of royalty investments	—	—	(1,028,942)	—	(1,028,942)	—	(1,028,942)
Net change in unrealized depreciation of interest rate swap	—	—	5,528	—	5,528	—	5,528
Net change in unrealized depreciation of foreign exchange swaps	—	—	430,005	—	430,005	—	430,005
Adjusted EBITDA	**($362)**	**$11,726,077**	**$ 66,282,388**	**$ 5,563,220**	**$ 83,571,323**	**($ 5,031,448)**	**$ 78,539,875**

Other Measures – Cash Royalty Receipts, Total Cash Royalty Receipts and Adjusted EBITDA

Drug Royalty Fund I (Fund I)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Core Products							
Xolair	$2,903,738	$2,753,205	$ 6,700,951	$ 5,943,209	$ 8,812,989	$12,471,184	$11,955,310
Natpara	355,314	3,733,009	960,019	10,758,657	12,941,793	10,757,244	6,819,469
FluMist	—	95,733	1,172,555	1,036,480	1,193,822	1,157,275	1,144,872
Total Cash Royalty Receipts – Core Products	**3,259,052**	**6,581,947**	**8,833,525**	**17,738,346**	**22,948,604**	**24,385,703**	**19,919,651**
Legacy Products							
TaqMan PCR	350,349	2,493,068	3,180,566	7,226,252	9,776,771	9,134,369	8,559,985
Advate	—	—	—	506,639	506,639	405,312	405,312
Remicade	—	—	—	68,825	68,825	2,906,970	3,293,433
Remicade II	—	—	—	268,253	268,253	13,130,797	14,421,630
PEG-Intron	—	—	—	—	—	23,955	—
Other[1]	4,055	4,970	12,893	15,465	19,945	36,732	121,359
Total Cash Royalty Receipts – Legacy Products	**354,404**	**2,498,038**	**3,193,459**	**8,085,434**	**10,640,433**	**25,638,135**	**26,801,719**
Total Cash Royalty Receipts[2]	**$3,613,456**	**$9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$50,023,838**	**$46,721,370**
Adjusted EBITDA[2]	**$3,519,220**	**$8,835,550**	**$11,726,077**	**$25,196,452**	**$32,881,324**	**$48,844,773**	**$45,465,269**

Notes:

(1) Other represents royalty income received from Legacy Products that are fully amortized and where applicable entitlements have generally expired.

(2) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of Non-IFRS Measures" below.

Drug Royalty III, L.P. (Fund III)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Core Products							
Spinraza	$ 5,030,230	$ 5,153,891	$16,213,856	$ 15,326,909	$ 20,778,638	$ 3,777,599	$ —
Eylea I	—	2,586,918	5,426,138	7,545,754	10,253,216	9,313,655	8,132,984
Eylea II	—	1,149,742	2,411,331	3,347,004	4,550,320	4,093,081	3,538,123
Zytiga	—	—	8,266,925	11,350,832	18,642,540	12,301,291	10,784,273
Rydapt	1,873,207	859,621	6,552,527	3,832,822	5,989,573	1,801,051	—
Total Cash Royalty Receipts – Core Products	**6,903,437**	**9,750,172**	**38,870,777**	**41,403,321**	**60,214,287**	**31,286,677**	**22,455,380**
Mature Products							
Rilpivirine Portfolio[1]	8,179,164	7,256,053	23,885,670	21,858,148	30,065,557	28,400,059	22,352,624
DRIT Portfolio[2]	1,293,715	10,231,239	5,517,777	29,038,230	38,609,567	35,478,285	27,550,045
Total Cash Royalty Receipts – Mature Products	**9,472,879**	**17,487,292**	**29,403,447**	**50,896,378**	**68,675,124**	**63,878,344**	**49,902,669**
Legacy Products							
Ampyra	—	—	—	—	—	10,285,030	11,063,983
Keytruda	—	14,214,652	—	74,471,192	74,471,192	81,769,260	28,171,128
Total Cash Royalty Receipts – Legacy Products	**—**	**14,214,652**	**—**	**74,471,192**	**74,471,192**	**92,054,290**	**39,235,111**
Total Cash Royalty Receipts[3]	**$16,376,316**	**$41,452,116**	**$68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**
Adjusted EBITDA[3]	**$15,582,868**	**$40,096,370**	**$66,282,388**	**$164,568,525**	**$200,703,029**	**$179,301,491**	**$ 95,743,586**

Notes:

(1) The Rilpivirine Portfolio consists of an agreement to receive royalties on products that include rilpiverine, including sales of Complera, Edurant, Juluca and Odefsey.

(2) The DRIT Portfolio consists of an agreement to receive royalties on sales of Ilaris, Simponi and Stelara.

(3) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of Non-IFRS Measures" below.

RMF 2 Co-Investment Fund Portfolio (RMF 2 Portfolio)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Mature Products							
Ilaris	$ 170,985	$ 454,241	$ 842,701	$ 1,294,926	$ 1,829,634	$ 1,411,019	$ 992,761
Simponi	1,140,325	2,053,922	3,436,809	7,726,188	9,490,603	12,144,936	10,318,012
Stelara	329,688	8,993,369	1,926,198	23,611,739	32,071,514	26,310,442	19,689,731
Total Cash Royalty Receipts[1]	**$1,640,998**	**$11,501,532**	**$6,205,708**	**$32,632,853**	**$43,391,751**	**$39,866,397**	**$31,000,504**
Adjusted EBITDA[1]	**$1,476,365**	**$10,356,951**	**$5,563,220**	**$27,059,714**	**$36,730,599**	**$39,891,228**	**$30,928,729**

Note:

(1) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of Non-IFRS Measures" below.

Reconciliation of Non-IFRS Measures

The following tables reconcile royalty income to Total Cash Royalty Receipts, and net income and comprehensive income to Adjusted EBITDA, in each case based on the historical financial information of Fund I, DR III LP and the RMF 2 Portfolio for the periods indicated.

Drug Royalty Fund I (Fund I)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 4,349,069**	**$ 9,641,770**	**$10,727,612**	**$25,258,450**	**$30,906,643**	**$ 49,114,775**	**$ 47,782,602**
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
Total Cash Royalty Receipts	**$ 3,613,456**	**$ 9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$ 50,023,838**	**$ 46,721,370**
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 3,491,564**	**$ 5,790,040**	**$ 7,801,987**	**$14,435,669**	**$17,627,928**	**$ 29,845,430**	**$ 29,769,694**
Amortization of royalty investments	763,269	3,607,295	2,624,718	10,557,769	12,933,318	17,432,398	14,967,661
Interest expense and finance fees	—	—	—	54,571	54,571	579,942	1,246,550
EBITDA	**$ 4,254,833**	**$ 9,397,335**	**$10,426,705**	**$25,048,009**	**$30,615,817**	**$ 47,857,770**	**$ 45,983,905**
Adjustments:							
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
(Reversal of) impairment of royalty investments	—	—	—	(406,307)	(406,307)	302,921	103,386
Net change in unrealized appreciation of interest rate swap	—	—	—	(10,580)	(10,580)	(86,730)	(214,379)
Net change in unrealized (appreciation) depreciation of foreign exchange swap	—	—	—	—	—	(138,251)	653,589
Adjusted EBITDA	**$ 3,519,220**	**$ 8,835,550**	**$11,726,077**	**$25,196,452**	**$32,881,324**	**$ 48,844,773**	**$ 45,465,269**

Drug Royalty III, L.P. (DR III LP)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 28,938,543**	**$ 29,241,492**	**$ 79,346,670**	**$110,753,898**	**$144,300,491**	**$219,768,326**	**$132,891,942**
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
Total Cash Royalty Receipts	**$ 16,376,316**	**$ 41,452,116**	**$ 68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 15,552,936**	**$ 10,559,296**	**$ 33,230,593**	**$ 38,584,222**	**$ 38,203,956**	**$ 57,998,634**	**$ 6,296,562**
Amortization of royalty investments	11,212,842	15,592,565	40,543,761	61,878,839	82,631,024	143,045,271	94,639,290
Interest expense and finance fees	1,076,393	2,372,388	4,173,889	8,207,052	10,285,629	10,425,179	10,394,896
EBITDA	**$ 27,842,171**	**$ 28,524,249**	**$ 77,948,243**	**$108,670,113**	**$131,120,609**	**$211,469,084**	**$111,330,748**
Adjustments:							
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
(Reversal of) impairment of royalty investments	(278,427)	—	(1,028,942)	—	9,880,791	—	3,246,178
Net change in unrealized depreciation of interest rate swap	3,490	8,423	5,528	150,506	152,517	285,417	169,146
Net change in unrealized (appreciation) depreciation of foreign exchange swaps	577,861	(646,926)	430,005	(269,087)	489,000	96,005	2,296,296
Adjusted EBITDA	**$ 15,582,868**	**$ 40,096,370**	**$ 66,282,388**	**$164,568,525**	**$200,703,029**	**$179,301,491**	**$ 95,743,586**

RMF 2 Co-Investment Fund Portfolio (RMF 2 Portfolio)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 2,212,505**	**$11,033,530**	**$ 4,480,213**	**$27,809,365**	**$33,950,473**	**$ 42,192,815**	**$ 33,610,222**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Total Cash Royalty Receipts	**$ 1,640,998**	**$11,501,532**	**$ 6,205,708**	**$32,632,853**	**$43,391,751**	**$ 39,866,397**	**$ 31,000,504**
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 1,735,310**	**$ 6,396,838**	**$ 2,083,032**	**$12,328,198**	**$14,114,663**	**$ 30,113,355**	**$ 24,126,042**
Amortization of royalty investments	312,562	3,492,111	1,754,693	9,908,028	13,174,658	12,104,291	9,412,405
EBITDA	**$ 2,047,872**	**$ 9,888,949**	**$ 3,837,725**	**$22,236,226**	**$27,289,321**	**$ 42,217,646**	**$ 33,538,447**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Adjusted EBITDA	**$ 1,476,365**	**$10,356,951**	**$ 5,563,220**	**$27,059,714**	**$36,730,599**	**$ 39,891,228**	**$ 30,928,729**

Preliminary 2020 Total Cash Royalty Receipts (Unaudited)

Set forth below are certain preliminary estimates of total cash royalty receipts for each of Fund I, DR III LP and the RMF 2 Portfolio for the year ended December 31, 2020. These preliminary estimates represent estimates of total cash royalty receipts for such year, which are based on currently available information and do not present all necessary information for an understanding of the financial condition as at December 31, 2020 or the results of operations for the year ended December 31, 2020 of Fund I, DR III LP and the RMF 2 Portfolio.

It is estimated that total cash royalty receipts for Fund I, DR III LP and the RMF 2 Portfolio for the year ended December 31, 2020 were $17,145,996, $101,675,868 and $8,158,297, respectively, as compared to $33,589,037, $203,360,603 and $43,391,751, respectively, for the year ended December 31, 2019. Lower total cash royalty receipts for the year ended December 31, 2020 reflect the expiration of royalties in whole or in part in accordance with their terms. These preliminary estimates are based on management's determination of actual cash received in respect of royalties. Information regarding royalties receivable – end of period is not currently available and therefore it is not possible to provide a reconciliation to royalty income as of the date of this prospectus.

These preliminary estimates have been prepared on a materially consistent basis with the total cash royalty receipts presented elsewhere in this prospectus and in good faith based upon internal records for the year ended December 31, 2020. Estimated total cash royalty receipts are preliminary and unaudited and are thus inherently uncertain and subject to change. There can be no assurance that actual total cash royalty receipts for each of Fund I, DR III LP and the RMF 2 Portfolio for this period will not differ from these estimates. These estimates should not be viewed as a substitute for audited financial statements prepared in accordance with IFRS. In addition, these estimates are not indicative of the results to be achieved by us for 2020, 2021 or any future period. Accordingly, undue reliance should not be placed on these preliminary estimates. These preliminary estimates have been prepared by and are the responsibility of management. Neither our independent auditor, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

ORGANIZATIONAL STRUCTURE

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. From and after the closing of this offering, the Trust will be a "mutual fund trust" as defined in the Tax Act, 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.

Our declaration of trust will be amended and restated prior to the Closing Date to, among other things, add descriptions of our authorized equity capital, describe the roles and responsibilities of our trustees and officers and add provisions relating to how we will conduct annual meetings of our unitholders. See "Description of our Equity Capital" for a description of certain matters to be included in our amended and restated declaration of trust. A copy of our declaration of trust and amended and restated declaration of trust can be obtained from us during the period of distribution of the units and will be available following the closing of this offering on SEDAR at www.sedar.com.

Seed Assets

The Seed Assets will be our initial portfolio of royalty assets and will serve as a platform to partially fund the acquisition of additional royalty assets in the future. The Seed Assets consist of 18 cash-flow generating royalties derived from the sales of 14 different pharmaceutical products focused on eight therapeutic areas. See "Our Business – Overview of the Seed Assets".

We will indirectly acquire the Seed Assets following the closing of this offering for cash using approximately $292.7 million of the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. See "Description of Indebtedness".

The Seed Assets are currently owned by the DRI Capital Funds as set out in the table below. We refer to these funds as "Drug Royalty I", "Drug Royalty III" and "Drug Royalty II CIF". See "Business – Our History" for a description of these funds. The Seed Assets include products that we refer to as "**Core Products**" for which royalty entitlements in primary geographies are expected to expire after December 31, 2021 and products that we refer to as "**Mature Products**", for which royalty entitlements in primary geographies have or are expected to expire before December 31, 2021. The table below excludes royalty assets that have already expired in accordance with their terms. We refer to these expired assets as "**Legacy Products**". The Legacy Products do not form part of the Seed Assets. However, the assets, liabilities and results of operations of the Legacy Products are reflected in the historical financial statements included elsewhere in this prospectus.

Drug Royalty I Seed Assets	Drug Royalty III Seed Assets	RMF 2 Portfolio
Core Products	**Core Products**	**Mature Products**
Xolair	Spinraza	Ilaris
Natpara	Eylea I	Simponi
FluMist	Eylea II	Stelara
	Zytiga	
	Rydapt	
	Mature Products	
	Rilpivirine Portfolio[(1)]	
	DRIT Portfolio[(2)]	

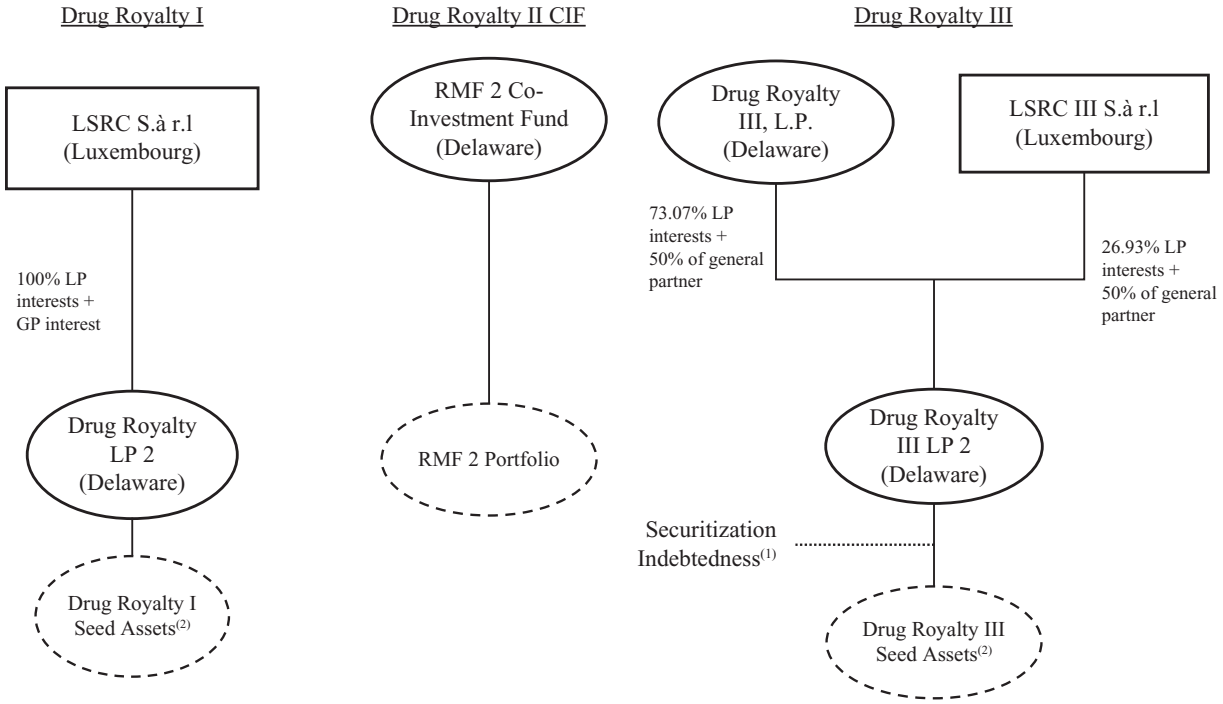
Notes:

(1) The Rilpivirine Portfolio consists of an agreement to receive royalties on products that include rilpiverine, including sales of Complera, Edurant, Juluca and Odefsey.

(2) The DRIT Portfolio consists of an agreement to receive royalties on sales of Ilaris, Simponi and Stelara.

Current Organizational Structure

The diagram below depicts the simplified current organizational structure of Drug Royalty I Drug Royalty III and the RMF2 Portfolio to illustrate how the Seed Assets are currently held. The diagram is provided for illustrative purposes only and does not represent all legal entities included in the organizational structure of Drug Royalty I or Drug Royalty III.



Notes:

(1) The issuer of the securitization indebtedness is Drug Royalty III LP 1 (not shown). See "Description of Indebtedness". Drug Royalty III LP 2 owns 100% of the limited partnership interests of Drug Royalty III LP 1. The general partner of Drug Royalty III LP 1 is 50% owned by Drug Royalty III, L.P. and 50% owned by LSRC III S.à r.l.

(2) The parties to the royalties constituting the Seed Assets are subsidiaries of the entities shown in the diagram above. The RMF 2 Portfolio will be held by Drug Royalty III LP 2.

Closing Transactions

As an initial closing step immediately prior to certain of the Closing Transactions, DRI Healthcare will indirectly acquire from Drug Royalty LP 1, an entity within the Drug Royalty I structure, the beneficial interest in all of Drug Royalty LP 1's rights under the Seed Assets owned by Drug Royalty I. Following the closing of this offering, DRI Healthcare will directly or indirectly acquire certain entities in the Drug Royalty I and Drug Royalty III funds as well as the RMF 2 Portfolio from Drug Royalty II CIF. These steps are summarized below and are referred to as the "**Closing Transactions**".

- We will use the net proceeds of this offering and the concurrent private placement to subscribe for additional shares of our 100% owned subsidiary, DRI Healthcare, for cash.
- Drug Royalty III, L.P. will acquire the 26.93% of the limited partnership interests ("**LP interests**") of Drug Royalty III LP 2 currently owned by LSRC III S.à r.l and the 50% interest in the general partner of each of Drug Royalty III LP 2 and Drug Royalty III LP 1, resulting in Drug Royalty III, L.P. owning 100% of the LP interests of Drug Royalty III LP 2 and 100% of the general partners of each of Drug Royalty III LP 2 and Drug Royalty III LP 1.

- DRI Healthcare will then directly or indirectly purchase the following interests and assets using cash of approximately $292.7 million from the net proceeds of this offering and the concurrent private placement and indirectly assuming certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. This includes the amount of the purchase price paid to acquire the beneficial interest in the Drug Royalty I Seed Assets owned by Drug Royalty I prior to closing.

  Drug Royalty I Seed Assets

  - 100% of the LP interests of Drug Royalty LP 2, and 100% of the equity of its general partner. The general partner of Drug Royalty LP 2 will own 100% of the general partnership interest ("**GP interest**") in Drug Royalty LP 2 and will be a wholly-owned subsidiary of DRI Healthcare;

  Drug Royalty III Seed Assets

  - 100% of the LP interests of Drug Royalty III, L.P., and 100% of the equity of its general partner. The general partner of Drug Royalty III, L.P. will own 100% of the GP interest in Drug Royalty III, L.P. and will be a wholly-owned subsidiary of DRI Healthcare; and

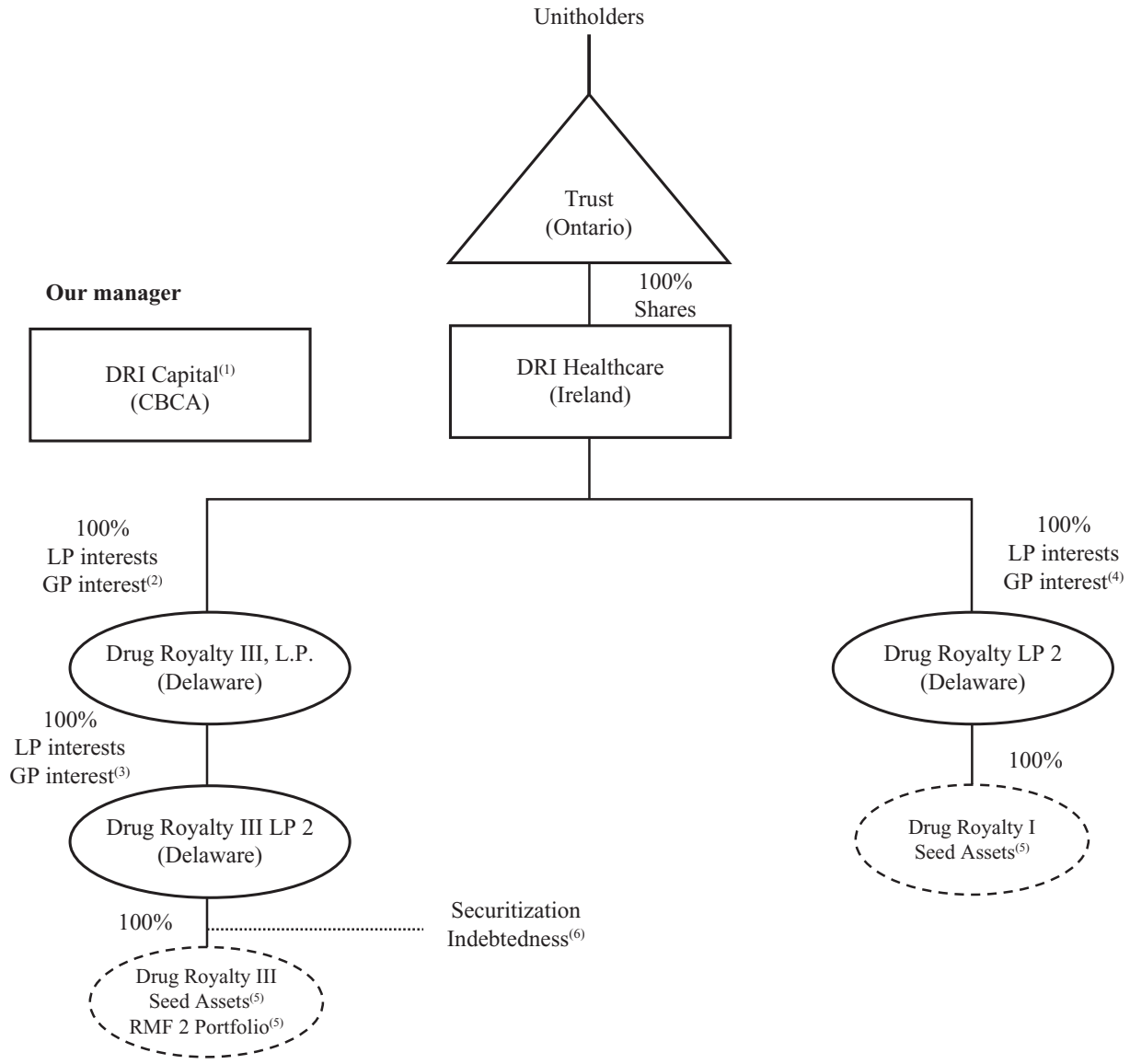
  RMF 2 Portfolio

  - 100% of the interests in the RMF 2 Portfolio currently owned by Drug Royalty II CIF.

Following the completion of these purchases, we will indirectly own 100% of the Seed Assets and will also indirectly hold all of the securitization indebtedness associated with the Seed Assets in the form of outstanding senior secured notes of Drug Royalty III LP 1.

Organizational Structure Following this Offering and the Closing Transactions

The diagram below depicts our simplified organizational structure immediately following this offering and the Closing Transactions. The diagram is provided for illustrative purposes only and does not represent all legal entities included in our organizational structure.



Notes:

(1) DRI Capital provides services to the Trust and subsidiaries of the Trust pursuant to the management agreement described in "Agreements with our Manager". Following completion of this offering, DRI Capital is expected to hold approximately ● % of our outstanding units.

(2) The general partner of Drug Royalty III, L.P. will be a 100% owned subsidiary of DRI Healthcare.

(3) The general partner of Drug Royalty III LP 2 will be a 100% owned subsidiary of Drug Royalty III, L.P.

(4) The general partner of Drug Royalty LP 2 will be a 100% owned subsidiary of DRI Healthcare.

(5) The parties to the royalties constituting the Seed Assets are subsidiaries of the entities shown in the diagram above.

(6) The issuer of the securitization indebtedness in the form of senior secured notes is Drug Royalty III LP 1. See "Description of Indebtedness". Drug Royalty III LP 2 owns 100% of the limited partnership interests of Drug Royalty III LP 1. The general partner of Drug Royalty III LP 1 will be 100% owned by Drug Royalty III, L.P.

Purchase Agreements and Liquidation of the DRI Capital Funds

On February ● , 2021, we entered into purchase agreements with certain vendors providing for our purchase of the equity interests and assets referred to above in "– Closing Transactions" using cash of approximately $292.7 million from the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. We currently anticipate that the purchase price will be allocated approximately 37% to the purchase of the relevant Drug Royalty I entities and interests, 61% to the purchase of the relevant Drug Royalty III entities and 2% to the purchase of the RMF 2 Portfolio from Drug Royalty II CIF.

The vendors of the equity interests and assets referred to above include certain entities within the organizational structure of Drug Royalty I, Drug Royalty III and Drug Royalty II CIF. These funds are currently managed by DRI Capital, and DRI Capital also acted as our manager in connection with this offering and our acquisition of the Seed Assets. The purchase price referred to above was determined by DRI Capital with reference to the fair market value of the Seed Assets.

In agreeing to the purchase price referred to above, our board of trustees considered, among other things, (a) sales projections for the products underlying the Seed Assets prepared by an independent, third-party consultant; (b) the amount of royalties payable in respect of the Seed Assets calculated based on the sales projections for the products underlying the Seed Assets referred to above; (c) an analysis of recent precedent royalty sales transactions; and (d) an opinion (the "**Fairness Opinion**") provided to the Trust by Duff & Phelps, an internationally-recognized financial advisory firm (the "**Firm**"), as to the fairness of the gross consideration being paid by the Trust in respect of the Seed Assets to be indirectly acquired pursuant to the Closing Transactions. We will acquire the Seed Assets on closing using cash of approximately $292.7 million from the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021.

Based upon and subject to the assumptions, qualifications and limitations and other terms set forth in the Fairness Opinion and such other matters as the Firm considered relevant, the Firm rendered an opinion to the board of trustees that, as of January 22, 2021, the gross amount of consideration being paid in respect of the Seed Assets pursuant to the Closing Transactions is fair to the Trust from a financial point of view. The gross consideration in respect of the Seed Assets is $347.5 million, attributable to the Drug Royalty I Seed Assets, the RMF 2 Portfolio and the Drug Royalty III Seed Assets as to $108.0 million, $5.4 million and $234.1 million, respectively. The cash purchase price payable in respect of the Seed Assets of $292.7 million represents the gross consideration, less the amount of securitization indebtedness assumed, plus working capital adjustments, and is attributable to the Drug Royalty I Seed Assets, RMF 2 Portfolio and the Drug Royalty III Seed Assets as to $108.2 million, $5.4 million and $179.1 million, respectively.

The full text of the Fairness Opinion that the Firm delivered to the board of trustees, which sets forth, among other things, certain assumptions made, certain matters considered, and certain limitations on the review undertaken in connection with the Fairness Opinion, is available on SEDAR under the Trust's profile. References to the Fairness Opinion are qualified in their entirety by reference to the full text of the Fairness Opinion.

The Firm provided the Fairness Opinion for the use and benefit of the board of trustees in connection with its consideration of the Closing Transactions. The Fairness Opinion (i) did not address the merits of the underlying business decision to enter into the Closing Transactions versus any alternative strategy or transaction; (ii) did not address any aspect of the Closing Transactions other than the gross consideration being paid by the Trust in respect of the Seed Assets; (iii) did not address any transaction other than the Closing Transactions; (iv) was not a recommendation as to how the board of trustees or any unitholder should vote or act with respect to any matters relating to the Closing Transactions, or whether to proceed with the Closing Transactions or any related transaction, and (v) did not indicate that the gross consideration being paid by the Trust in respect of the Seed Assets was the most favorable price or terms possibly attainable by the Trust under any circumstances. The decision as to whether to proceed with the Closing Transactions or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which the Fairness Opinion was based.

The Fairness Opinion was only one of many factors taken into consideration by the board of trustees in making its determination with respect to the Closing Transactions. The Fairness Opinion should not be construed as creating any

fiduciary duty on the part of the Firm to any party. The Firm has not undertaken, and is under no obligation, to update, revise, reaffirm or withdraw the Fairness Opinion, or otherwise comment on or consider events occurring or coming to its attention after the date of the Fairness Opinion. The Fairness Opinion does not constitute a recommendation to any person or entity as to whether or not to invest in the securities of the Trust.

The vendors under the purchase agreements have provided certain representations and warranties to us relating to matters such as: (1) the valid existence of the vendors; (2) the enforceability of the purchase agreements against the vendors; (3) that the entering into of the purchase agreements does not breach any governing instrument applicable to the vendors, or any material agreement or other instrument to which the vendors are a party or by which they are bound, or any decree, order, statute, rule or regulation applicable to the vendors; (4) the receipt of necessary approvals and consents relating to the sale of assets to us; (5) the fact that there are no proceedings with respect to the vendors that would adversely affect any action taken or to be taken by the vendors with respect to the purchase agreements; and (6) the title to the assets being sold to us. These representations and warranties are not subject to any contractual limitation period under the purchase agreements. Each of the vendors under the purchase agreements has obtained the consents required of its investors or limited partnership advisory committees, as applicable, to complete the sale of the Seed Assets to us.

Following the completion of the Closing Transactions, we expect that our manager will take steps to liquidate Drug Royalty I and Drug Royalty III, which will result in the proceeds from our purchase of the equity interests and assets referred to above in "– Closing Transactions" being distributed to the investors in those funds. DRI Capital and its affiliates have a minimal ownership interest in Drug Royalty I and Drug Royalty III, consisting of a 1.17% ownership interest in Drug Royalty I and a 1.82% ownership interest in Drug Royalty III. DRI Capital has a nominal interest in Drug Royalty II CIF. DRI Capital is entitled to be paid performance fees in respect of the sale of the Seed Assets to us, which performance fees are payable by Drug Royalty I, Drug Royalty III and Drug Royalty II CIF. DRI Capital will not earn additional performance fees in respect of the Seed Assets when owned by us. Assuming the sale of the Seed Assets for $292.7 million, from the proceeds of such sale, DRI Capital will receive: (a) approximately $3.9 million on account of its ownership interest in Drug Royalty I, Drug Royalty III and Drug Royalty II CIF, and (b) DRI Capital and certain of the current and former employees of DRI Capital and its affiliates in accordance with the terms of their employment will receive approximately $24.6 million on account of the performance fees payable in respect of the sale of the Seed Assets to us. DRI Capital together with certain of its personnel and associated entities will purchase $20 million of our units pursuant to the concurrent private placement, aligning DRI Capital and its management with our unitholders.

There can be no assurance of recovery by us against the vendors for any breach of the representations and warranties made by the vendors under the purchase agreements with us and, in view of the anticipated wind-up of the DRI Capital Funds, there can be no assurance that the vendors will not be terminated or dissolved, that their assets will not be distributed or that any of their remaining assets, if any, will be sufficient to satisfy such obligations. Although we will be entitled to bring a claim or action for breach of a representation and warranty under the purchase agreements with the vendors, purchasers of our units pursuant to this prospectus will not have any contractual rights against the vendors under the purchase agreements. Purchasers will, however, have certain statutory rights of action against the Trust, DRI Capital and the Underwriters under applicable securities laws. See "Purchasers' Statutory Rights".

BUSINESS

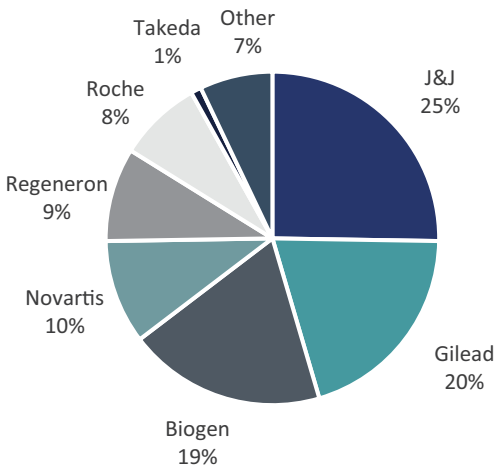
Overview

DRI Healthcare Trust is a newly-formed entity created to provide unitholders with differentiated exposure to the pharmaceutical and biotechnology industries through the ownership and acquisition of pharmaceutical royalties. Our business model is focused on managing and growing a diversified portfolio of pharmaceutical royalties that deliver attractive growth in cash royalty receipts over the long term. Immediately following the closing of this offering, we will indirectly acquire a portfolio of 18 royalties derived from the sales of 14 different pharmaceutical products focused on eight therapeutic areas, which we refer to as the "Seed Assets". DRI Capital currently has an acquisition pipeline of eight opportunities that we are actively reviewing, all of which meet our investment criteria. We intend to enhance this initial portfolio by purchasing additional royalty streams to create a growing and diversified portfolio of royalties based on high quality pharmaceutical products.

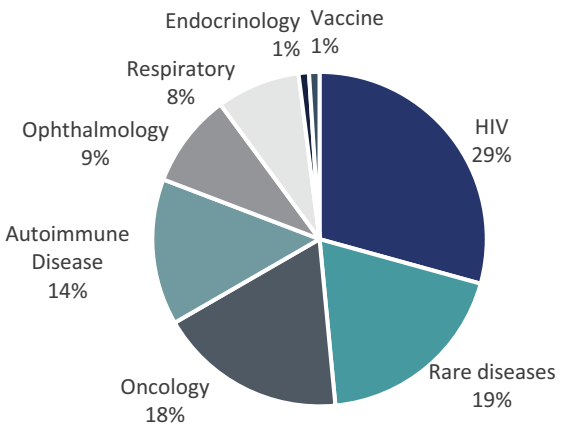
Our manager, DRI Capital, has been focused on acquiring global pharmaceutical royalties for approximately 18 years. DRI Capital has demonstrated a consistent ability to identify and acquire royalty streams, having overseen the deployment of more than $2 billion of capital in 61 royalty streams on 37 products since the formation of its first privately managed fund in 2006. We believe DRI Capital is one of a few acquirors that focuses on and has the depth of experience to successfully complete small- to medium-sized growth-oriented transactions in the $25 million to $150 million range, which is the range of investments that we intend to target. Royalty transactions in the $25 million to $150 million range accounted for approximately 61% or $1.3 billion of the capital deployed by the DRI Capital Funds and co-investors since 2006. Our manager has built a deep network of relationships and demonstrated an ability to work with inventors, academic institutions, drug developers and marketers to source and successfully structure royalty transactions. Between 2006 and September 30, 2020, funds managed by DRI Capital generated $2.5 billion of cash royalty receipts.

The Seed Assets consist of royalty streams on products that address medically necessary therapeutic areas, such as HIV, oncology, rare diseases, ophthalmology and autoimmune diseases, and will entitle us to royalty payments based directly on top-line sales of several blockbuster therapies, including Spinraza, Eylea and Xolair. The products underlying the Seed Assets are marketed by leading, global pharmaceutical companies, including Johnson & Johnson, Gilead, Biogen and Regeneron. Many of the Seed Asset royalty streams provide us with entitlements on products that we believe represent focus areas and important revenue sources for their marketers. In 2019, seven of the products underlying the Seed Assets generated global sales of more than $1 billion each, with two of those therapies generating more than $5 billion in global sales. According to EvaluatePharma (January 2021, Evaluate Ltd.), the products underlying nine of the Seed Assets are among the top five pharmaceutical products for their respective indications based on 2019 worldwide sales. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%.

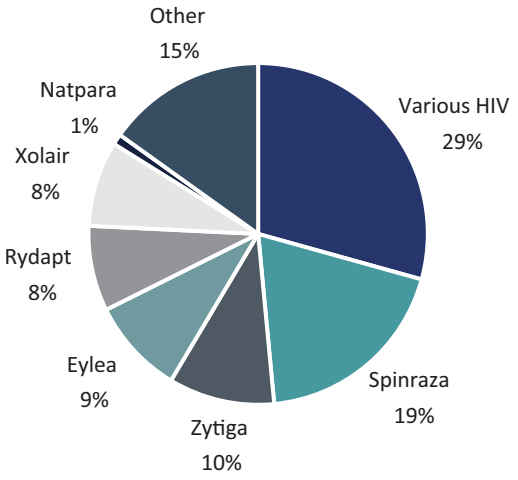
Seed Assets Cash Royalty Receipts by Lead Marketer[(1)] (Nine months ended September 30, 2020)



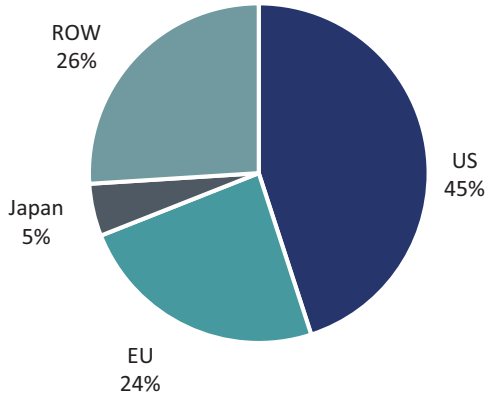
Seed Assets Cash Royalty Receipts by Therapeutic Area (Nine months ended September 30, 2020)



Seed Assets Cash Royalty Receipts by Product[2]
(Nine months ended September 30, 2020)



Seed Assets Cash Royalty Receipts by Geography[3]
(Nine months ended September 30, 2020)



Notes:

(1) "Other" includes AstraZeneca and ViiV

(2) "Other" includes FluMist and the DRIT Portfolio; "Eylea" includes the cash royalty receipts from Eylea I and Eylea II; "Various HIV" includes cash roalty receipts from the Rilpivirine Portfolio (Complera, Edurant, Julica and Odefsey)

(3) Based on available information on geographic breakdown of royalty-bearing sales related to royalties received during the nine months ended September 30, 2020. "ROW" refers to rest of world and may include EU and Japan where not disclosed separately.

Over the past two decades, our manager has built a dedicated team of seasoned and highly specialized professionals focused on the identification, evaluation and acquisition of pharmaceutical royalties. DRI Capital has developed a disciplined strategy predicated on active sourcing of royalties on medically necessary products with long term patent protection and growth potential. As a publicly listed entity, we plan to replenish and grow our portfolio with the acquisition of pharmaceutical royalty streams that meet our investment criteria by leveraging DRI Capital's experience, expertise and well-established industry relationships. Based on DRI Capital's track record and the growth drivers within the pharmaceutical industry, we anticipate significant acquisition opportunities in pharmaceutical and biotechnology royalties. We expect to fund new royalty acquisitions through the net proceeds from the offering, reinvestment of cash flow generated by the Seed Assets and the use of leverage.

The global pharmaceutical industry has a number of compelling growth drivers. Population growth, an aging population and new therapeutic treatments have fueled global prescription pharmaceutical sales, which are estimated to grow at a 7.4% compound annual growth rate, or "CAGR", from $900 billion in 2020 to almost $1.4 trillion by 2026, according to EvaluatePharma. A key catalyst to growth is the acceleration in medical research, which has advanced treatments across a range of therapeutic areas from oncology to rare diseases. Worldwide pharmaceutical R&D expenditures reached $186 billion in 2019, according to EvaluatePharma, and are projected to increase to $233 billion by 2026. We believe this increase is a result of the pace of innovation and increasing treatment complexity. We believe the combination of the growth in R&D expenditures, a fragmented development chain and increased R&D outsourcing by large drug manufacturers will continue to create royalty acquisition opportunities in the future.

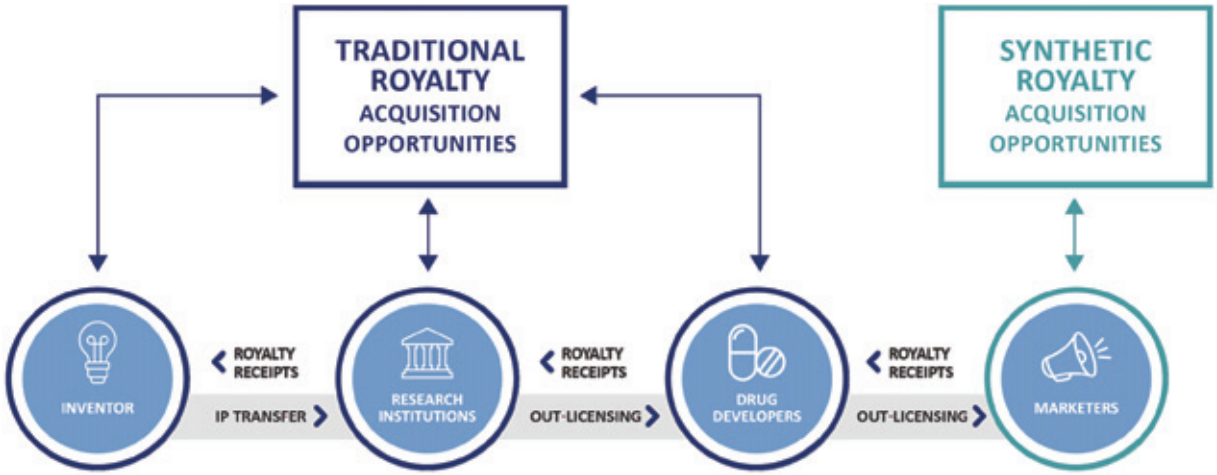
We believe our manager's experience and deep industry relationships, combined with our focused investment strategy, flexible approach to structuring and access to capital, will position us to capitalize on the rapid growth and increasing innovation in the pharmaceutical industry.

Pharmaceutical Royalty Investing

Rising costs and increasing complexity of scientific advancement and drug development have resulted in a broader range of participants being involved in the creation of new drugs. Inventors, academic and other research institutions conduct basic research and license technologies or product candidates to other industry participants for further development. Biotechnology companies typically in-license these new technologies or product candidates, add value through further research and clinical development and then either out-license the resulting product candidates to larger biopharmaceutical companies for later-stage clinical development and commercialization or advance clinical development and commercialization themselves. Pharmaceutical royalties, which we also refer to as royalty streams, can be created at

various stages in the product development process, resulting in acquisition opportunities for royalty investors. We believe the continued pace of biopharmaceutical innovation coupled with the increasing cost of drug development provides a sustainable tailwind for our business.

Illustrative Pharmaceutical Royalty Value Chain



There are two main types of pharmaceutical royalty transactions, "traditional" royalties and "synthetic" royalties.

A typical licensing transaction involves granting rights to use intellectual property or know how created by an inventor, academic institution or drug developer to develop and commercialize a product in exchange for upfront cash payments, royalties or other economic consideration. The amount of royalties payable under such a license agreement is typically a percentage of the top-line sales of the relevant product. Traditional royalty investing involves a purchaser paying an initial purchase price to the licensor of intellectual property or know how in return for the purchaser being entitled to receive some or all of the royalties to which the licensor is entitled under the license agreement.

Synthetic royalty transactions involve the creation of a new royalty stream in which the purchaser contracts directly with the marketer to receive a portion of top-line product sales in exchange for providing funding. 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.

Royalties are typically finite life assets that expire based on either patent expiry dates (including patent extensions) or on structural elements, such as caps that limit the amount of royalties that can be collected after product sales or cash royalty receipts reach a pre-determined level. Royalty acquisition structures can be tailored to the requirements of the royalty vendor and to provide the purchaser various protections. These structures can include payments to vendors at specified product sales thresholds or upon certain product events, such as the approval of the product for a new indication or other key attribute or launch of the product in a new geography. Acquisition structures can also include other bespoke elements unique to the specific expectations of the product.

DRI Capital's History

DRI Capital is a global leader in the highly-specialized pharmaceutical royalty investing industry and has played an instrumental role in advancing the market for royalty monetization alternatives. The predecessor of our manager, Drug Royalty Corporation ("**DRC**"), was founded in 1989 and successfully listed on the Toronto Stock Exchange in 1993. We believe DRC was the first dedicated pharmaceutical royalty monetization corporation. DRC assembled a portfolio of royalty and royalty-related interests and healthcare investments, including interests in leading drugs such as Amgen's Neupogen and Neulasta, Bristol-Myers Squibb's Taxol, and Johnson & Johnson's Remicade. DRC remained a publicly traded company until 2002 when it was taken private with the objective of creating a leading global pharmaceutical investment platform.

The following summarizes the key periods in our manager's history since 2002:

- **2002 to 2005** – DRI Capital invested in new personnel and resources to support the transition to a private equity investment model, refocused its royalty acquisition business and refined its investment criteria to include a greater range of transaction sizes. During this period, the DRI Capital Funds acquired royalty interests in products such as GlaxoSmithKline's Abreva, MedImmune's Synagis and a second royalty on Johnson & Johnson's Remicade.

- In 2005, DRI Capital completed its first investment grade rated securitization of royalties and raised $68.5 million. The securitization market broadened DRI Capital's access to capital and represented the first of 10 securitization transactions that raised a total of approximately $2 billion.
- **2006 to 2008** – In 2006, our manager rebranded as DRI Capital and raised $800 million through its first private fund, Drug Royalty I. In 2007, Drug Royalty I issued $505 million in investment grade rated secured notes. The notes were supported by an insurance product that backstopped the investment grade rating. From 2006 through 2008, DRI Capital deployed $645 million (including one milestone payment in 2010) from Drug Royalty I to acquire 19 royalty streams, 14 of which were acquired in a single transaction in 2006 from DRC and other co-investors that had acquired the streams prior to 2006. During this period, DRI Capital's investment criteria focused on commercialized prescription and over-the-counter ("**OTC**") therapeutics and medical devices.
- Our manager made its largest ever investment in a single product in 2007 when Drug Royalty I acquired a royalty interest in Wyeth's ex-North-American sales of Enbrel, a biologic used to treat autoimmune diseases, for total consideration of $300 million. The transaction marked the first partnership between a DRI Capital Fund and co-investors, a structure which allowed DRI Capital to benefit from a large investment in an attractive product. The transaction was financed with $240 million of capital sourced from Drug Royalty I and $60 million of capital from co-investors that was arranged concurrently with DRI Capital's diligence process. Including the Enbrel investment, DRI Capital has deployed a total of $160 million of capital sourced from co-investors since 2006.
- **2009 to 2012** – In 2009, our manager launched its second private fund, Drug Royalty II, with total committed capital of $701 million. The fund's institutional investor base included North American and European pension plans, family offices and other asset managers. Between 2009 and 2012, DRI Capital raised a total of $585 million through three investment grade rated securitization transactions. Drug Royalty II deployed $648 million of capital to acquire 23 royalty streams through 2013, including royalties on Soliris, Tysabri and sales of Sensipar/Regpara in certain Asian markets. Our manager refined its investment criteria to focus on prescription therapeutics with an established sales history that were marketed by leading pharmaceutical and biotechnology companies.
- In 2010, DRI Capital launched Drug Royalty II CIF as a co-investment vehicle, allowing our manager and its funds to benefit from opportunities to acquire attractive royalty streams that otherwise exceeded Drug Royalty II's product concentration limits. DRI Capital raised total committed capital of $225 million for Drug Royalty II CIF, of which $82 million was deployed to acquire four royalty streams alongside Drug Royalty II.
- In 2011, DRI Capital first applied the accelerated royalty transaction structure. This structure allows pharmaceutical and biotechnology companies to receive variable payments and accelerate the recognition of royalty income, a meaningful industry innovation. Using this structure, Drug Royalty II, Drug Royalty II CIF and other co-investors acquired royalties on blockbuster therapies such as Novartis' Ilaris and Johnson & Johnson's Simponi and Stelara.
- **2013 to 2018** – In 2013, DRI Capital launched its third private fund, Drug Royalty III. Our manager increased the scope of its investment criteria in Drug Royalty III to include products in the late stages of clinical development or products with limited sales history that are still marketed, or expected to be marketed, by established pharmaceutical and biotechnology companies. Investors in the fund included several that had previously committed capital to prior funds. Between 2013 and 2018, DRI Capital raised a total of $845 million through four investment grade rated securitization transactions. In November 2016, reflecting the slower expected pace of deployment of Drug Royalty III's capital, fund commitments were reduced from $1.45 billion to $1 billion and management fees were adjusted with a view to compensating investors for the management fees associated with the larger fund size. From the $1 billion in commitments to Drug Royalty III, $586 million was deployed to acquire 15 royalty streams through 2018.
- In 2015, DRI Capital sold the assets of Drug Royalty II, which crystallized an attractive return and accelerated distributions to investors as the fund approached the end of its life.
- **2019 to Present** – Following the completion of the investment period for Drug Royalty III in June 2018, DRI Capital began considering new sources of capital to support growth, including raising additional private funds or transitioning to a public company model. Following this review, DRI Capital concluded that the transition to a public company best matched the long-term nature of pharmaceutical royalties with a long

term or permanent funding source. We will have greater flexibility to execute our strategy without the limitations typically associated with private equity funds, such as fixed capital commitments, limited fund lives, restrictions on the ability to reinvest proceeds on new royalty acquisitions and predetermined investment mandate constraints. As such, we believe that the creation of a new public vehicle and the completion of an initial public offering through the Trust is the next logical step in the evolution of the royalty investing business of DRI Capital and the DRI Capital Funds, positioning the Trust for long-term growth.

History of DRI Capital Funds and Evolution of Investment Criteria

	Drug Royalty I	Drug Royalty II	Drug Royalty II CIF	Drug Royalty III	Aggregate
Launch Date	October 2006	July 2009	December 2010	July 2013	
Investment Period	2006 – 2008	2009 – 2013	2010 – 2013	2013 – 2018	
Capital Deployed	$645M	$648M	$82M	$586M	$1,961M
Royalty Streams Purchased	19	23	4	15	61
Securitized Debt Issued	$870M	$670M	—	$395M	$1,935M
Product Types	Commercialized prescription and OTC therapeutics and medical devices	Approved products with sales history		Approved and late-stage development	

Our Manager

DRI Capital benefits from a highly experienced, skilled team of investment professionals whose work is complemented by the input of external advisors. We believe this will allow our manager to successfully identify, source, underwrite and maintain royalty streams for our benefit. DRI Capital seeks to attract investment professionals and advisors who have tenure in and exposure to the pharmaceutical and biotechnology industries. Individuals on the team and the advisory panel have developed expertise in the clinical, commercial, financial and legal aspects of the global pharmaceutical and biotechnology industries. In addition, DRI Capital benefits from an experienced team of accounting, human resources, information technology, investor relations, and legal professionals who ensure the smooth operations of the company.

DRI Capital's management and investment teams include individuals with extensive history in the financial, legal and pharmaceutical and biotechnology industries. DRI Capital's key senior management and investment team members are Behzad Khosrowshahi, Chris Anastasopoulos, Joel Herold, John McCulloch and Babak Farahmand. See "Trustees, Executive Officers and Other Personnel – Biographical Information Regarding our Trustees and Executive Officers" and "Trustees, Executive Officers and Other Personnel – Information Regarding Additional Personnel of our Manager".

DRI Capital's advisory panel is comprised of individuals who are actively involved in the identification and assessment of opportunities across the pharmaceutical industry as well as in strategic and long-range planning for the business. The members of our manager's advisory panel have a diverse range of experience, ranging from academic research to biotechnology and pharmaceutical business development.

DRI Capital currently intends to devote substantially all of its time working for the benefit of the Trust as our manager.

Track Record of Disciplined Capital Deployment

Our manager has proven expertise in sourcing high quality, durable pharmaceutical royalty investments as demonstrated by the successful track record of the DRI Capital Funds. Between 2006 and 2018, these funds acquired 61 royalty streams on 37 products. During this time, approximately $2 billion of capital was deployed from funds managed by DRI Capital, which was supplemented by an additional $160 million of cash sourced from co-investors, for total purchases of over $2.1 billion. This represents an average deployment of approximately $160 million per year during this period, including approximately $10 million of average annual deployment of funds from co-investors.

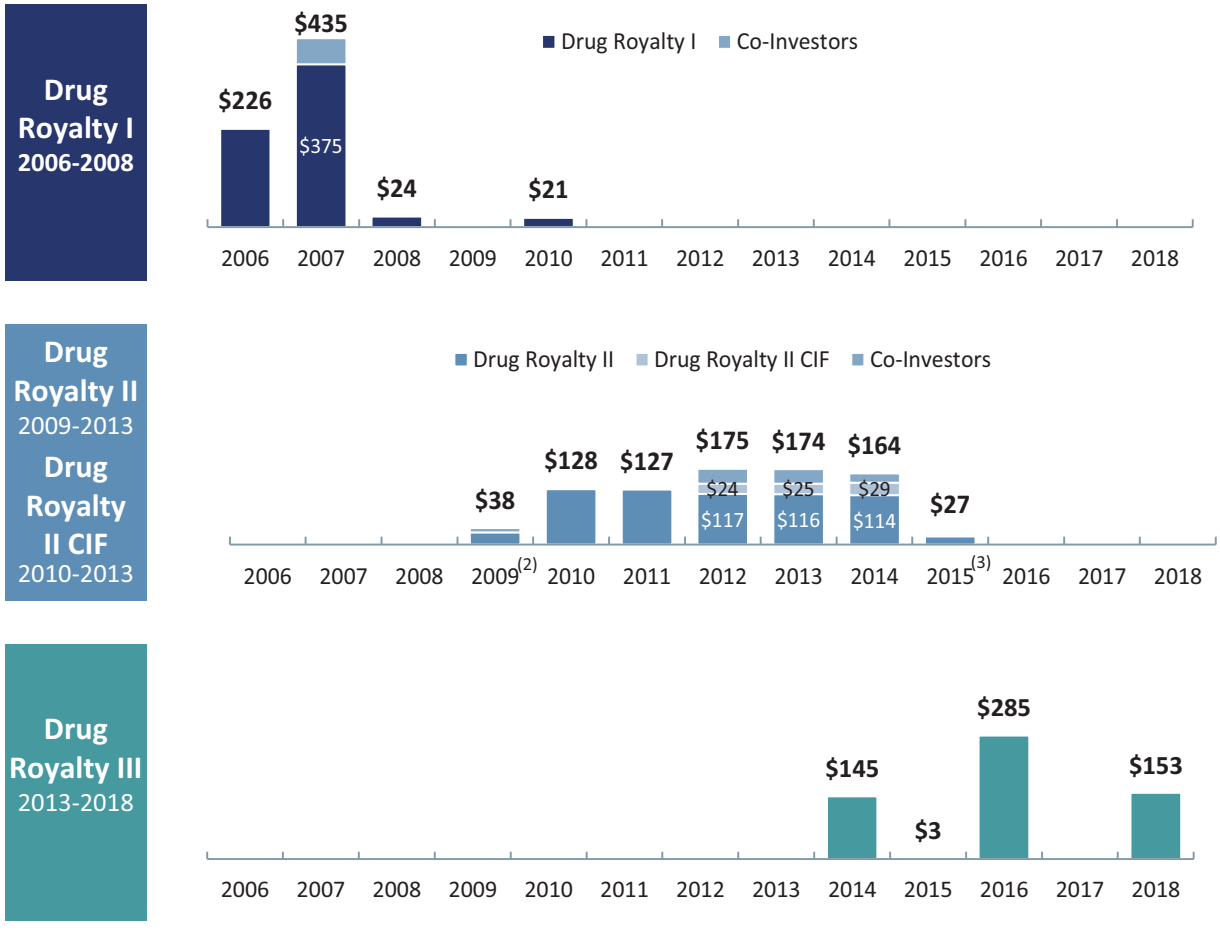
DRI Capital's historical capital deployment pattern has been influenced by its private fund model that reflects a cycle of fundraising, deployment and harvesting. DRI Capital began the fundraising for Drug Royalty I in 2005 and deploying capital in 2006 which accelerated in 2007 and concluded concurrent with the onset of the global financial

crisis in 2007-2008. The performance of Drug Royalty I appealed to investors following the global financial crisis, given that fund returns were not highly correlated to traditional asset class returns. From 2008 through 2010, DRI Capital raised funds for Drug Royalty II, which were subsequently deployed between 2009 and 2013. As deployments approached the capital commitments for Drug Royalty II, DRI Capital began raising funds for Drug Royalty III. Our manager's track record of investments over the prior seven years allowed it to capitalize on investor demand for investments with stable yields. In 2014, Drug Royalty III made its first investments and for the next four years continued to employ a disciplined strategy of acquiring only royalty assets that met DRI Capital's investment criteria and return expectations. The investment period for Drug Royalty III concluded in 2018.

Throughout this period, DRI Capital was able to secure co-investment capital, allowing it to pursue certain deals that would have otherwise exceeded fund limits on capital deployment or product concentration. These co-investments have been executed through both a dedicated co-investment fund associated with Drug Royalty II CIF and through ad-hoc transactions with third party providers of capital.

Since 2018, our manager has been exploring new sources of capital to support growth, including raising additional private funds or transitioning to a public company model. Consequently, DRI Capital has not replaced maturing royalties since the middle of 2018 when the investment period for Drug Royalty III ended. As a public company, we will not be constrained by the normal cycles of the private equity funding model, nor the limitations that are associated with drawing on a fixed pool of capital. We expect to use the proceeds of this offering, reinvestment of cash flow generated from the Seed Assets and other royalties we may acquire and offerings of equity and debt securities to fund new royalty acquisitions and replenish and grow our portfolio of pharmaceutical royalties.

Historical Capital Deployment of the DRI Capital Funds and Co-Investors (US$M)[1]



Notes:

(1) Amounts provided for informational purposes to illustrate the historical capital deployed by the DRI Capital Funds and co-investors. Such amounts have been derived from internal financial information prepared in accordance with U.S. GAAP and not in accordance with IFRS. Such

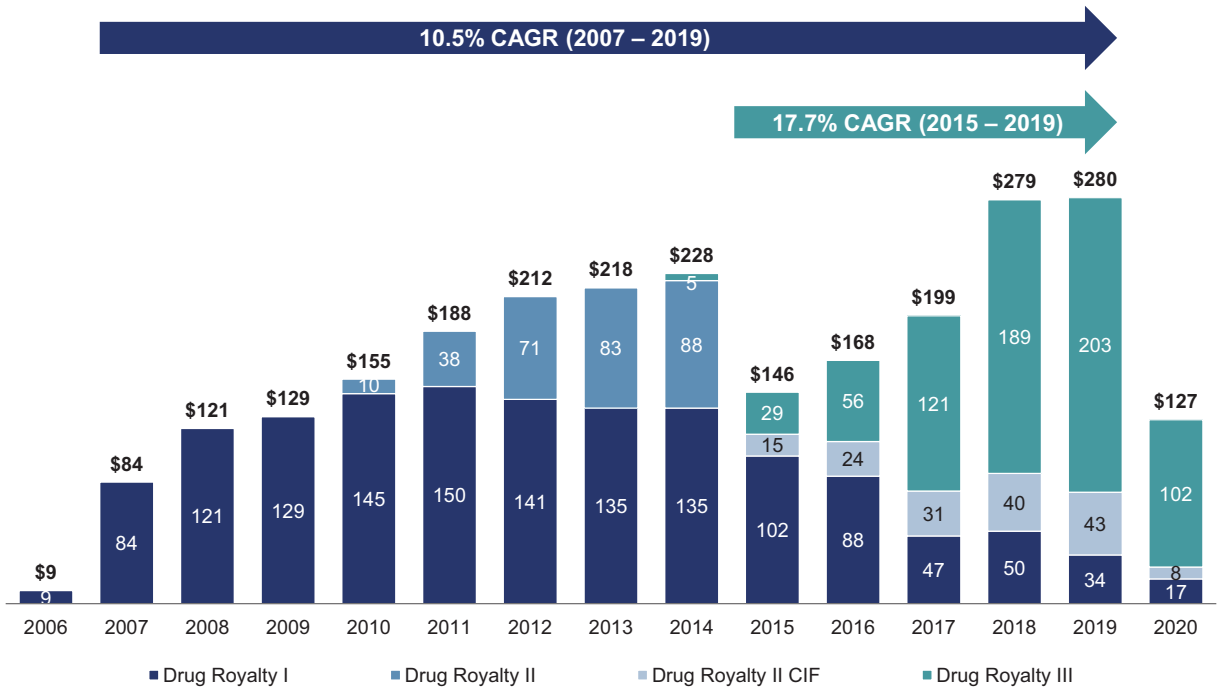
information is not intended to be representative of future capital to be deployed or the performance of the Seed Assets. Additional milestone and installment payments were made by Drug Royalty I in 2010 and Drug Royalty II and Drug Royalty II CIF in 2014 and 2015 in accordance with commitments entered during each fund's respective investment period. DRI Capital, along with certain co-investors, made investments prior to 2006. Drug Royalty I acquired 14 of these investments in a single transaction in 2006. DRI Capital and co-investors made certain other investments that were not purchased by the funds and which have been excluded from the chart above. Aggregate capital deployment figures by DRI Capital Fund may not correspond to aggregate historical deployment shown elsewhere in this prospectus due to rounding.

(2) Includes $28 million of deployment from Drug Royalty II and $10 million of deployment from co-investors.

(3) Includes $19 million of deployment from Drug Royalty II and $4 million from each of Drug Royalty II CIF and co-investors.

Between 2007 and 2019, the combined cash royalty receipts in the DRI Capital Funds grew at a CAGR of 10.5%. Following the sale of Drug Royalty II in 2015, the combined cash royalty receipts in the remaining funds grew at a CAGR of 17.7% from 2015 to 2019, demonstrating our manager's ability to replenish and grow the royalty portfolio in the DRI Capital Funds.

Historical Cash Royalty Receipts of DRI Capital Funds (US$M)



Notes:

(1) 2020 represents the aggregate of the nine month period ended September 30, 2020 and preliminary unaudited cash royalty receipts for the three months ended December 31, 2020.

(2) Amounts provided for informational purposes to illustrate the cash received from historical cash royalty receipts of the DRI Capital Funds and co-investors. Such amounts have been derived from internal financial information prepared in accordance with U.S. GAAP and not in accordance with IFRS. Such information is not intended to be representative of the future cash royalty receipts or performance of the Seed Assets.

(3) Drug Royalty III, L.P. currently owns 73.07% of Drug Royalty III LP 2. The 26.93% non-controlling interest in Drug Royalty III LP 2 is currently owned by another entity within the Drug Royalty III structure. Total Cash Royalty Receipts have been adjusted to include the non-controlling interest holder's 26.93% portion of cash royalty receipts in respect of the royalty assets referred to during the applicable period, including $9.4 million in 2017 and $1.7 million in 2018. This portion of cash royalty receipts was received during the period when the non-controlling interest holder directly held its portion of such royalty assets prior to its transfer to Drug Royalty III LP 2. The Trust will indirectly acquire 100% of Drug Royalty III LP 2 pursuant to the Closing Transactions.

We classify our portfolio based on the expected expiry of the royalty in the underlying product's principal royalty-bearing geographies. The Seed Assets include products that we refer to as "Core Products" for which royalty entitlements in primary geographies are expected to expire after December 31, 2021 and products that we refer to as "Mature Products", for which royalty entitlements in primary geographies have expired or are expected to expire before December 31, 2021. Certain Mature Products are expected to expire in 2020 and 2021, resulting in a corresponding decline in cash royalty receipts from 2019. In addition, certain funds managed by DRI Capital included royalties on products that we refer to as "Legacy Products", which have already expired in accordance with their terms.

The Legacy Products do not form part of the Seed Assets. However, the assets, liabilities and results of operations of the Legacy Products are reflected in the historical financial statements included elsewhere in this prospectus. Recent expiries include the royalty interest on Merck's blockbuster drug Keytruda and certain principal geographies covered by the royalty entitlement on Johnson & Johnson's blockbuster drugs Simponi and Stelara. In the case of the Keytruda royalty, payments were structured to terminate upon the receipt of a fixed amount of royalties by Drug Royalty III. The Keytruda royalty proved to be an attractive investment as sales of the underlying product accelerated more quickly than expected by DRI Capital at the time of the royalty acquisition. As a result, Drug Royalty III reached the royalty cap earlier than expected and the final payment from the Keytruda royalty was received by Drug Royalty III in the fourth quarter of 2019.

The evergreen nature of a public company is expected to provide an attractive cost structure and facilitate ongoing growth in our royalty portfolio by allowing us to redeploy internally generated capital on additional royalty acquisitions and grow our cash royalty receipts. We believe this model better aligns with the long-term nature of royalty investing and makes us a flexible and attractive counterparty for royalty vendors. We expect to establish a stable royalty acquisition program supported by cash flow to be received over the remaining life of the Seed Assets, our continued access to the debt securitization market and the capital raised in this offering. Our objective is to purchase between $650 million to $750 million of royalties over the next five years, which we believe will allow us to replenish and grow cash royalty receipts over the long term.

The DRI Capital Funds have generated strong gross unlevered rates of return since 2006 as outlined in the following table.

Gross Unlevered Internal Rates of Return of DRI Capital Funds (US$M)

USD Millions	Capital Deployed[(1)]	Cash Royalty Receipts[(2)]	Terminal Value[(3)]	Gross Unlevered IRR[(4)]
Drug Royalty I	$645	$1,387	$108	**18.8%**
Drug Royalty II CIF	$82	$161	$5	**17.5%**
Drug Royalty III	$586	$705	$234	**20.2%**
AGGREGATE	**$1,313**	**$2,253**	**$347**	**18.9%**

Notes:

(1) Capital deployed represents the historical amount of capital deployed by Drug Royalty, Drug Royalty II CIF and Drug Royalty III, excluding capital deployed by co-investors, as set out in the table "Historical Capital Deployment of the DRI Capital Funds and Co-Investors" above.

(2) Cash royalty receipts represents the historical aggregate cash royalty receipts received by the applicable DRI Capital Fund through December 31, 2020, as set out in the table "Historical Cash Royalty Receipts of DRI Capital Funds (US$M)" above.

(3) Terminal value represents the gross consideration attributable to the Seed Assets in each of Drug Royalty I, Drug Royalty II CIF and Drug Royalty III pursuant to the Closing Transactions. Drug Royalty II CIF only includes the DRIT Portfolio.

(4) Gross unlevered internal rate of return (GU IRR) represents an annualized rate of return of the cash flows of the applicable DRI Capital Fund. GU IRR is presented for each fund and calculated as the annualized, compounded rate of return based on annual cash flows which include (i) actual purchase prices paid for the royalty assets by each fund as outflows, (ii) actual cash royalty receipts by each fund as inflows, and (iii) a terminal value inflow in 2021 based on the gross consideration attributable to each fund. For the purposes of this calculation, for each of the funds, all cash inflows and outflows within each year are aggregated and recorded on the last day of the year during which they occurred, except for the terminal value which is recorded on the expected pricing date of this offering. The aggregate GU IRR is calculated on the same basis as individual GU IRR for each fund based on annual cash inflows, outflows and terminal value, aggregated for the three DRI Capital Funds referred to above. The calculation of GU IRR may differ from the calculation of unlevered rates of return by other issuers and pharmaceutical royalty businesses and may not be comparable to similar metrics presented by other issuers and pharmaceutical royalty businesses.

(5) Capital deployed, cash royalty receipts and GU IRR shown are not intended to be representative of the future capital to be deployed, the future cash royalty receipts, the future GU IRR or the performance of the Seed Assets or the Trust.

Investment Highlights

Direct exposure to the fast-growing global pharmaceutical industry

Global prescription pharmaceutical sales are estimated to grow at a 7.4% CAGR, from $900 billion in 2020 to almost $1.4 trillion by 2026, according to EvaluatePharma. Multiple drivers are believed to be fueling this growth, including population growth, an aging population, increasing life expectancy, new therapeutic treatment modalities and continued investment in medical research.

Royalties play an important role in the pharmaceutical industry and are often created through the development of pharmaceutical treatments and breakthrough therapies. Worldwide investment in pharmaceutical R&D reached $186 billion in 2019, representing a 5% CAGR since 2013, according to EvaluatePharma. Worldwide spending is projected to increase to $233 billion by 2026. We believe this increase is driven by the pace of innovation, increasing treatment complexity and the increasing cost of drug development.

We believe that increases in R&D investment, combined with increased outsourcing of R&D expenditures by large drug manufacturers and the contributions of smaller organizations such as academic institutions, non-profit organizations and smaller biotechnology companies, will expand pharmaceutical royalty investment opportunities across a broad range of innovators as they continue to advance the science of pharmaceuticals.

Growth strategy supported by DRI Capital's proven origination capabilities

We have a focused growth strategy that leverages DRI Capital's experience, expertise and well-established industry relationships to support the replenishment and growth of our portfolio of pharmaceutical royalties. DRI Capital has demonstrated a consistent ability to identify and acquire royalty streams, having overseen the deployment of more than $2 billion of capital in 61 royalty streams on 37 products since the formation of its first privately managed fund in 2006. Managed by DRI Capital, our disciplined investment strategy will be predicated on active sourcing of royalties on medically necessary products with long term patent lives and growth potential. The DRI Capital Funds have benefited from strong growth in cash royalty receipts, resulting in a CAGR of 10.5% in combined cash royalty receipts from 2007 to 2019.

We intend to continue to employ this strategy with an objective to acquire between $650 million to $750 million of pharmaceutical royalty interests over the next five years, which we expect to fund through the net proceeds of this offering, internally generated cash flow and debt financing through additional asset securitizations. We intend to begin deploying capital over the next 12 months using the Seed Assets as an attractive royalty acquisition platform, and will target long-term compounded growth in cash royalty receipts of between seven and nine percent from 2021 onwards.

Our growth strategy is supported by a network of relationships with a wide variety of royalty sellers, including corporations, academic institutions and individual innovators. This network allows us to source proprietary royalty acquisition opportunities that are not broadly marketed. DRI Capital continuously reviews royalty acquisition opportunities and currently has an acquisition pipeline of eight opportunities that we are actively reviewing, all of which meet our investment criteria.

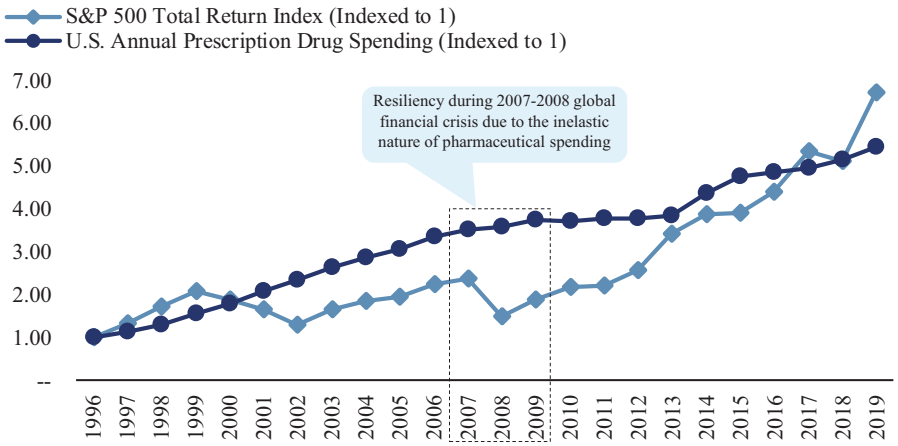
Our manager and its advisory panel provide us with the knowledge and experience to foster our growth by identifying royalty streams that: (i) are on products that are medically necessary or improve patient quality of life with a strong competitive position; (ii) are on products that have strong growth potential; (iii) are on products that are being developed or marketed by industry leading, high-quality life sciences companies; (iv) are on products that benefit from strong and long-lasting intellectual property (consistent with a targeted weighted-average duration of approximately eight years); (v) are in the $25 million to $150 million investment size range; and (vi) are expected to provide us with a 12% gross unlevered internal rate of return, on average. We will seek to acquire traditional royalties on existing products and technologies and to create and acquire synthetic royalties through direct collaboration with industry participants. We aim to acquire royalties on products that generate stable and predictable sales with growth potential that may be achieved through a variety of factors, including competitive positioning, approvals for new indications, potential new geographies and the opportunity for price increases in the United States and elsewhere.

Attractive business model with less susceptibility to traditional pharmaceutical and macroeconomic risks

Pharmaceutical spending in the United States has consistently grown over the past two decades and has demonstrated less susceptibility to some of the macroeconomic trends that have impacted more traditional asset

classes, such as the broader equity market. For example, during the global financial crisis, the S&P 500 dropped 37% in value between December 31, 2007 and December 31, 2008. During the same period, spending on pharmaceuticals in the United States increased by 2%. Pharmaceutical royalties provide an opportunity to invest directly in pharmaceutical sales, which we believe is an asset class that provides a compelling form of diversification.

Comparison of Pharmaceutical Spending to S&P 500 Total Return Index



Source: Bloomberg, Centers for Medicare & Medicaid Services

Pharmaceutical royalties represent direct investments in pharmaceutical sales with less exposure to many of the traditional risks associated with the pharmaceutical industry, including clinical development, a focus on core therapeutic areas due to R&D and salesforce limitations, product commercialization risks, including limitations on product and geographical diversity and being subject to intense regulatory processes and development timelines, expenses relating to R&D, manufacturing, sales and marketing and potential liability risks. Pharmaceutical royalties entitle us to a portion of the top line sales of underlying products. Royalty investing also provides very limited exposure to product liability. Medically-necessary products are generally demand inelastic, meaning that they are less sensitive to price changes than other products.

The Seed Assets consist of royalties on established, medically-necessary products with intellectual property protection that are backed by leading marketers and require no investments from our manager or us in R&D, manufacturing or marketing. In the same way that our manager has assembled an attractive portfolio of diversified royalties that we will acquire on closing of this offering, we intend to build and diversify this portfolio and intend to optimize it to address our investment criteria and growth plans. We believe that royalty investing provides us with an opportunity to generate compounding cash flows by allowing us to reinvest royalty income into new royalties, which can be enhanced through financial leverage. Unlike the pharmaceutical industry, royalty investing provides us with the ability to be adaptive and without the burden of significant long-term capital obligations.

DRI Capital's business has demonstrated resilience and neither its business nor its operations have been materially impacted by the COVID-19 pandemic. Similarly, we believe that COVID-19 has not materially impacted the performance of the Seed Assets.

Partner of choice in the global pharmaceutical royalty sector focused on small to medium-sized growth transactions

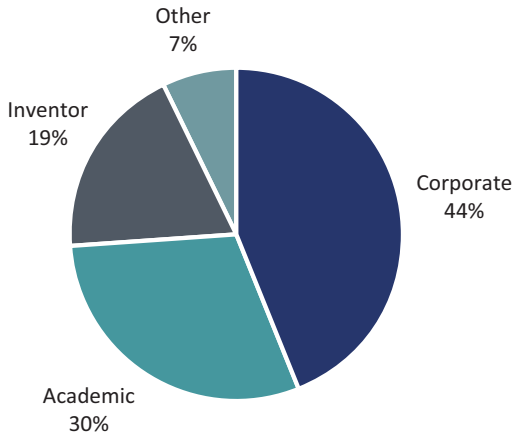
Since DRC's founding in 1989, DRI Capital has become a global leader in pharmaceutical royalty investing and acquisition. DRI Capital has decades of experience, building a refined investment strategy, a team of seasoned professionals and a network of external advisors to identify, evaluate and acquire royalties.

Led by a seasoned management and investment team and advisory panel with subject matter expertise and deep industry relationships that span geographies, indications and therapeutic areas, our manager has deployed over $2 billion of capital through the acquisition of 61 royalty streams since 2006. The DRI Capital Funds have experienced

gross unlevered internal rates of return of 18.8%, 17.5% and 20.2%, respectively, for Drug Royalty I, Drug Royalty II CIF and Drug Royalty III. See the table "Gross Unlevered Returns of DRI Capital Funds (US$M)" in the section " – Track Record of Disciplined Capital Deployment" above.

Our manager's professionals have the expertise to perform diligence across many therapeutic areas and the transaction experience and reputation to negotiate mutually beneficial royalty structures. DRI Capital's industry tenure has also enabled it to identify owners of existing royalties and build an active sourcing model that combines deep global networks of inventors, corporates, academics and research institutions with a proprietary database of more than 6,500 known or potential royalties on over 2,000 individual drugs. The royalties that we have acquired have been sourced from relationships that span the universe of royalty holders.

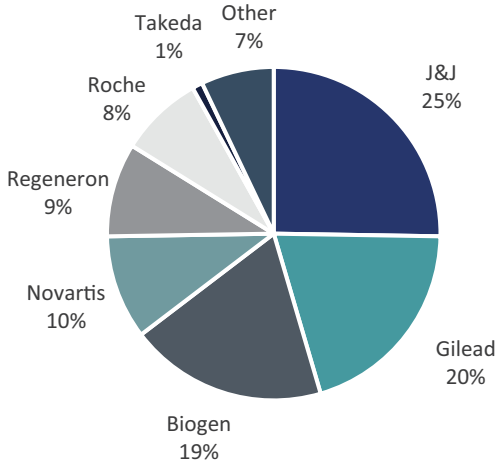
Number of Royalty Stream Acquisitions by Vendor Type
(2006-2018)



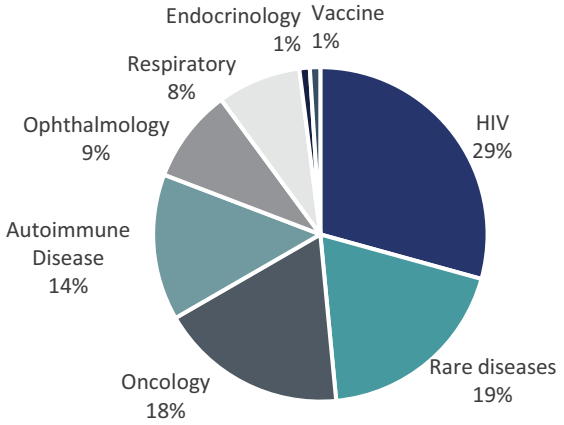
Robust cash flows from a high-quality, diversified pharmaceutical royalty portfolio

Our initial portfolio will be comprised of the Seed Assets, which consist of 18 royalty streams on leading commercialized pharmaceutical products that collectively generated nearly $30 billion in global product sales during 2019. The Seed Assets are diversified across eight therapeutic areas, including HIV, oncology, rare diseases, ophthalmology and others, and have a weighted-average remaining life of approximately eight years as at December 31, 2020, based on expected future cash royalty receipts. The majority of products underlying the royalty streams in the Seed Assets are marketed by a diverse group of industry leading, investment grade global pharmaceutical companies including Johnson & Johnson, Gilead, Biogen and Regeneron. Many of the royalty streams in the Seed Assets provide us with entitlements on products that we believe represent focus areas and important revenue sources for the marketers, which leads to strong and well supported product sales that directly benefits our portfolio. In the nine months ended September 30, 2020, while the top five products accounted for 60% of our cash royalty receipts, no individual product accounted for more than 19% of our cash royalty receipts, no therapeutic area accounted for more than 29% of our cash royalty receipts and no marketer represented more than 25% of our cash royalty receipts.

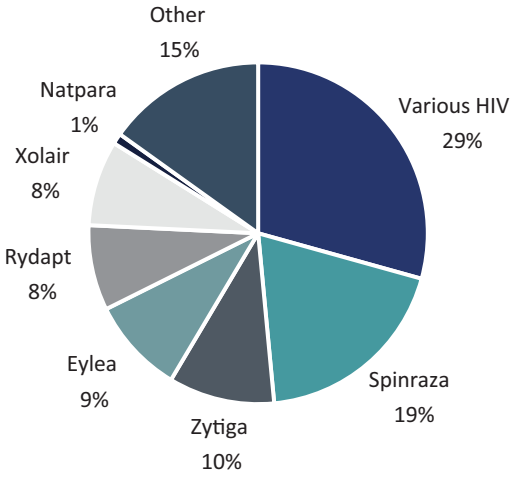
Seed Assets Cash Royalty Receipts by Lead Marketer[1] (Nine months ended September 30, 2020)



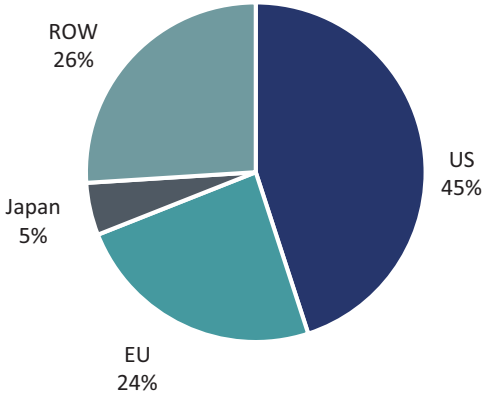
Seed Assets Cash Royalty Receipts by Therapeutic Area (Nine months ended September 30, 2020)



Seed Assets Cash Royalty Receipts by Product[2] (Nine months ended September 30, 2020)



Seed Assets Cash Royalty Receipts by Geography[3] (Nine months ended September 30, 2020)



Notes:

(1) "Other" includes AstraZeneca and ViiV

(2) "Other" includes FluMist and the DRIT Portfolio; "Eylea" includes the cash royalty receipts from Eylea I and Eylea II; "Various HIV" includes cash royalty receipts from the Rilpivirine Portfolio (Complera, Edurant, Julica and Odefsey)

(3) Based on available information on geographic breakdown of royalty-bearing sales related to royalties received during the nine months ended September 30, 2020. "ROW" refers to rest of world and may include EU and Japan where not disclosed separately.

A number of royalty streams within the Seed Assets provide entitlements on blockbuster drugs, which are pharmaceutical or biotechnology drugs that have generated global sales of more than $1 billion. In 2019, seven of the products underlying the Seed Assets achieved this status, with two of those products generating more than $5 billion in global sales. Eylea and Zytiga are two examples of royalties that provide us with exposure to products with stable sales that treat medically necessary or non-discretionary conditions. Both products have benefited from growth after we purchased our royalty entitlements and demonstrate some of the attributes, including label and geographic expansion, that fueled significant cash royalty receipts.

Product Case Studies

Product	**Product**
	
Marketers	**Marketers**
	
PRODUCT FEATURES **Year Approved:** 2011 **Therapeutic Area:** Ophthalmology **Indications:** – Neovascular wet age-related macular degeneration – Macular edema following retinal vein occlusion – Diabetic macular edema – Diabetic retinopathy	**PRODUCT FEATURES** **Year Approved:** 2011 **Therapeutic Area:** Oncology **Indications:** – Metastatic castration-resistant prostate cancer – Metastatic high-risk castration-sensitive prostate cancer
GROWTH HIGHLIGHT(1) In 2019, Eylea worldwide sales were $7.5 billion having grown by 12% from 2018 and representing the seventh year of double-digit sales growth on strong product demand.	**GROWTH HIGHLIGHT**(1) In 2019, sales of Zytiga outside of the United States reached $2.0 billion, a 15% increase from 2018; this increase was driven by market share gains in the European market.
ROYALTY INTEREST FEATURES **Acquisition Date:** June and Dec. 2014(2) **Geography Entitlements:** Worldwide **Label Expansion Since Acquisition:** – Macular edema following retinal vein occlusion approved in 2014 – Diabetic macular edema approved in 2014 – Diabetic retinopathy approved in 2015	**ROYALTY INTEREST FEATURES** **Acquisition Date:** Feb. 2016 **Geography Entitlements:** Worldwide, ex-US **Label Expansion Since Acquisition:** – High risk metastatic hormone sensitive prostate cancer approved in 2017

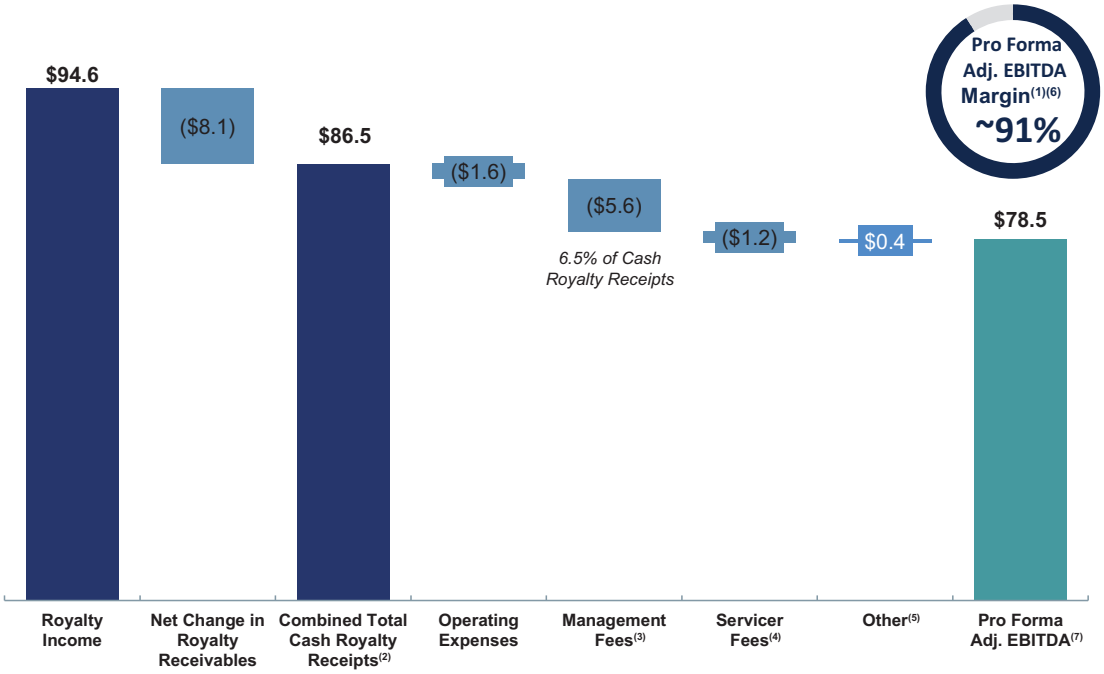
Notes:

(1) Product sales and growth figures based on public filings of each marketer.

(2) The Seed Assets include two royalty streams on Eylea, which we refer to as Eylea I and Eylea II.

Our business model operates with minimal overhead and requires limited ongoing capital expenditures, selling, general and administrative expenses, and modest infrastructure to support growth. We believe the Seed Assets provide a high-quality stream of cash royalty receipts which, combined with our fixed management fee, results in attractive Adjusted EBITDA margins and attractive financial profile. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%.

Efficient Business Model Drives Attractive Adjusted EBITDA Margin[1]



Notes:

(1) For the nine months ended September 30, 2020.

(2) Includes $3.2 million of cash royalty receipts from a Legacy Product that has expired in accordance with its terms.

(3) Management fees that would have been paid by the Trust had the expected management fee arrangement been in place during the period.

(4) Amounts payable to DRI Capital for administrative services related to securitization indebtedness.

(5) Interest income and net realized gain on foreign exchange swaps.

(6) Pro forma Adjusted EBITDA Margin is calculated as Pro Forma Adjusted EBITDA divided by cash royalty receipts for the period.

(7) Excludes expenses the Trust expects to incur as a result of being a public entity, which are estimated to be $1.4 million per year.

Competitive Strengths

Longstanding investor in pharmaceutical royalties with a well-established network of partners

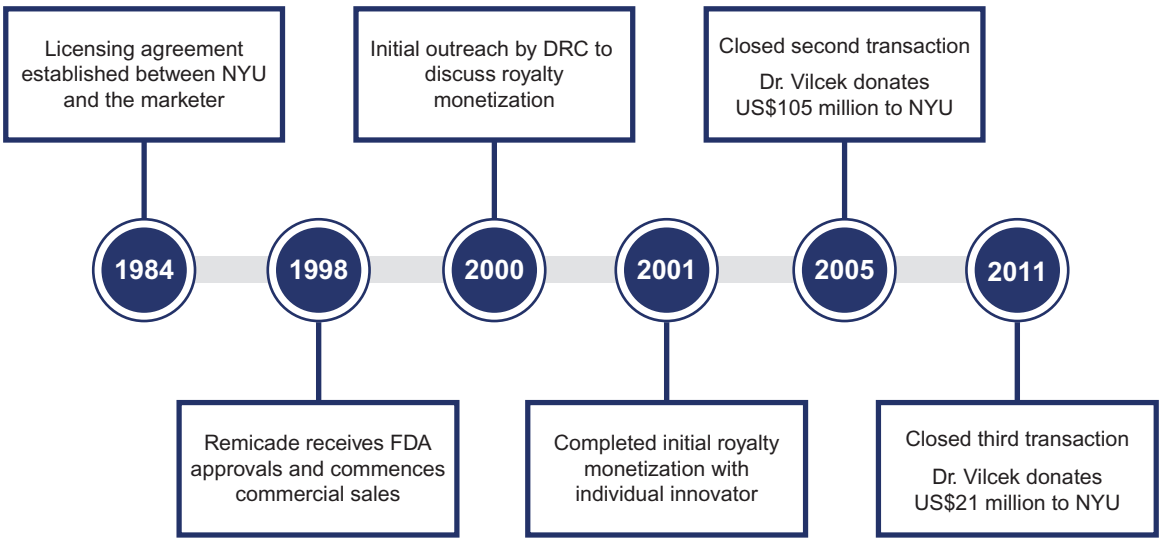
We believe our manager's brand and reputation enable us to maintain a key advantage in sourcing and executing royalty acquisitions to replenish and grow our portfolio. Our manager has a long and proven track record of identifying, structuring and negotiating royalty acquisitions that provide mutually beneficial outcomes to royalty vendors and investors in the DRI Capital Funds. DRI Capital has arranged for the purchase of multiple royalty streams that have resulted in positive outcomes for vendors, enabling those vendors to achieve asset diversification, fund their philanthropic goals or complete large capital projects. In addition, DRI Capital's track record and reputation provide vendors with a high degree of transaction certainty.

DRI Capital has strong credibility within the pharmaceutical royalty industry, stemming from its deep, specialized expertise and capabilities that span indications, therapeutic areas and geographies, making DRI Capital a partner of choice for a large universe of royalty vendors. This has enabled our manager to complete multiple repeat transactions with a single or related counterparty. For example, DRI Capital completed two transactions with a single academic institution over a three-year period, three transactions with a single inventor over a 10-year period and multiple transactions with a single corporate seller covering a range of products. Our manager's strong relationships and demonstrated history of positive experience with counterparties has enabled DRI Capital to broaden its relationship network and complete subsequent transactions with other connected parties.

Multiple Repeat Transactions with a Single Counterparty Case Study

Our track record and reputation are exemplified by a series of three transactions completed over a 10-year period with Dr. Jan Vilcek, a professor and researcher at New York University ("**NYU**"). DRC initially approached Dr. Vilcek in 2000 to discuss a potential monetization of his royalty stream on Johnson & Johnson's autoimmune treatment, Remicade. After many constructive discussions, DRC completed its first transaction in 2001 with the acquisition of a portion of his royalty entitlement based on the U.S. sales of the drug. DRI Capital continued to maintain dialogue with Dr. Vilcek and acquired a second, larger portion of his entitlement to royalties on the worldwide sales of Remicade in 2005. The transaction was structured to provide Dr. Vilcek with additional upside after product sales exceeded a prescribed threshold. Ongoing dialogue and mutually beneficial outcomes led to a third transaction in 2011.

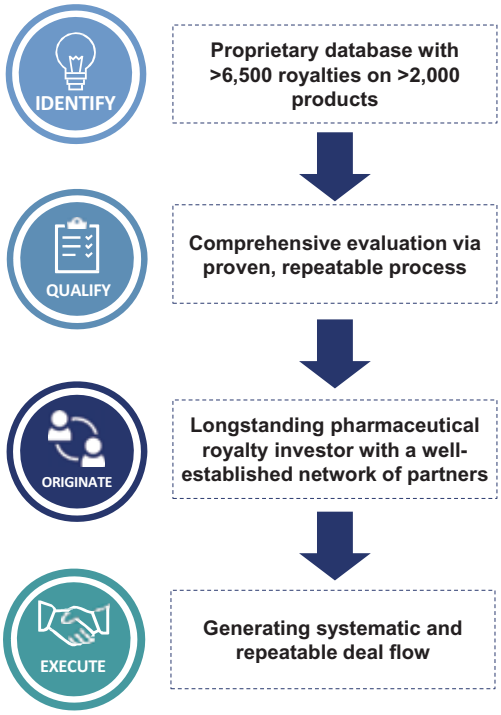
The proceeds from these transactions supported the growth of the Vilcek Foundation, a charitable foundation dedicated to raising awareness of the contributions of immigrants to the United States. Dr. Vilcek also contributed over $120 million in philanthropic donations to NYU to support medical research, facilities and scholarships.



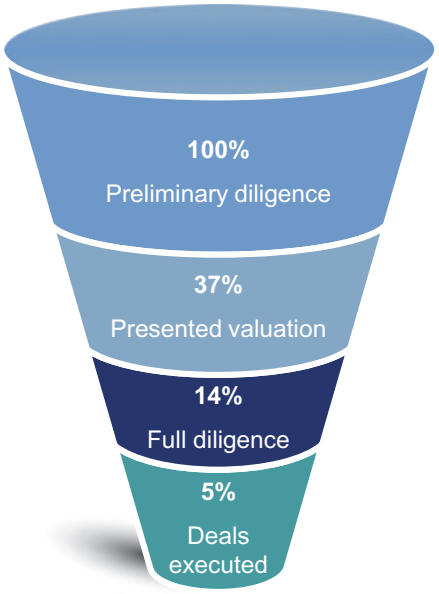
Differentiated sourcing model resulting in the identification of attractive opportunities on high-quality assets with a compelling value proposition

DRI Capital has developed a systematic and repeatable approach to transaction sourcing that is built on a foundation of deep industry knowledge and relationships. Royalty holdings and corresponding transactions are frequently undisclosed and are often connected through a private network of buyers and sellers. This makes it difficult to track potential opportunities and requires a history of investigative work to identify and source potential transactions. Our manager has built a proprietary database through continuous monitoring of innovators, treatments and development processes that contains more than 6,500 royalties on over 2,000 drugs. This database allows for an early approach and cultivation of relationships with royalty holders in advance of a potential monetization event, while remaining agnostic to therapeutic area. As a result, we will have access to a strong funnel of opportunities in non-competitive or low competition processes which often allows us to seek out best-in-class assets, avoid broker-led auctions and drive acquisitions of attractive royalty streams to replenish and grow our portfolio. We currently have an acquisition pipeline of eight opportunities that we are actively reviewing, all of which meet our investment criteria.

Repeatable Process to Source and Execute on Strategy



Drug Royalty III Acquisition Funnel 2013 – 2018

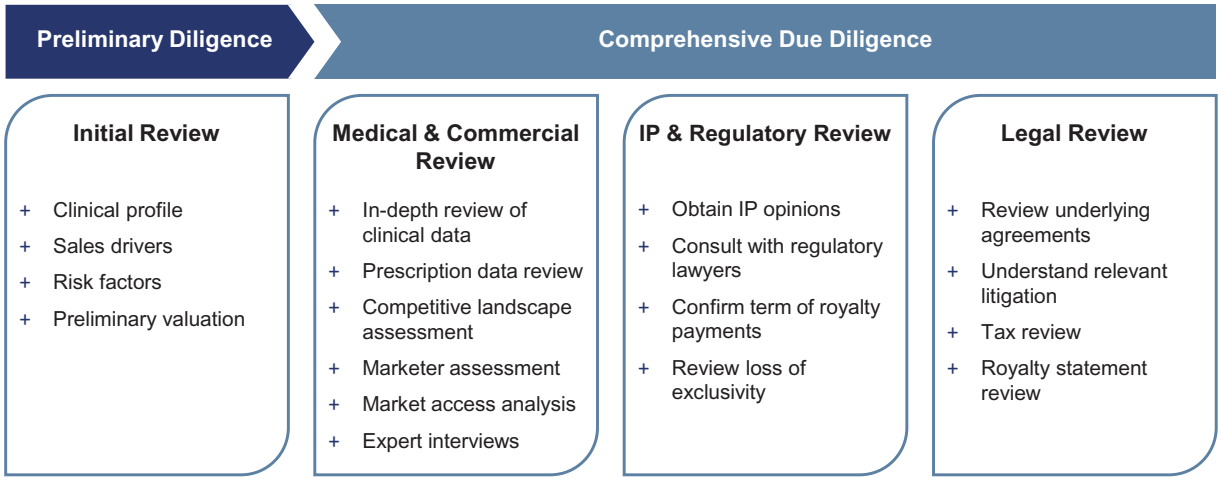


Capabilities to quickly identify, evaluate and execute prospective transactions

Our manager, its investment team and its advisory panel all possess significant transaction execution experience as well as deep industry knowledge. Through the evaluation of hundreds of potential royalty transactions, DRI Capital has established and refined its internal processes to allow for a rapid and well-informed evaluation of the merits and considerations of a potential transaction, supporting an expedited path to close. Transactions are evaluated through a rigorous process comprised of a comprehensive review of scientific, financial, intellectual property, regulatory and legal considerations. DRI Capital's due diligence process leverages extensive internal experience, proprietary data sources, historical analyses and external support when necessary, with a focus on generating stable growth in cash flows. We believe our manager's depth of expertise and comprehensive review process will allow us to identify opportunities with upside or potential risks that others may not uncover.

As a result of our manager's experience, we benefit from significant product and therapeutic area expertise, including an understanding of patient and physician preferences, treatment regimens, competitive environments, pricing and reimbursement and other matters that impact the commercial success of a drug. In the past, DRI Capital has applied this knowledge to either complete multiple acquisitions within similar indications or to enter into multiple transactions for a single product. For example, DRI Capital acquired multiple royalties on blockbuster products that are used for the treatment of autoimmune diseases such as rheumatoid arthritis, psoriasis and psoriatic arthritis including Remicade, Enbrel, Simponi and Stelara. Our manager has also leveraged product expertise to acquire multiple royalty streams on a single product, including the acquisition of two separate royalty entitlements on Eylea. We expect to continue to apply our manager's experience to seek out opportunities in therapeutic areas and specific products where we possess a deep understanding that puts us in an advantageous position to replenish and grow our portfolio.

Due Diligence Process



Operating within an attractive and targeted market niche

We believe DRI Capital is one of a few acquirors that focuses on and has the depth of experience to successfully complete small- to medium-sized growth-oriented transactions in the $25 million to $150 million range. Since 2006, DRI Capital has overseen the deployment of nearly $1.3 billion on royalty acquisitions in the $25 million to $150 million size range. DRI Capital's focused strategy does not compete directly with the large-cap public investors, institutional asset managers or public pension plans who typically require larger investment sizes and for whom smaller investments may be out of scope. Additionally, our manager's growth focus does not compete with other investment managers with fixed income-like strategies.

We believe there are high barriers to entry for new competitors in the segment of the pharmaceutical royalty market in which our manager carries on business, given the capabilities, expertise and experience necessary to successfully assess and negotiate a royalty opportunity as well as the limited available public documentation on royalty ownership. We believe that our competitive positioning along with our manager's broad relationships and track record of exemplary asset identification and sourcing allows for repeatable transaction sourcing and execution that is not easily replicated by competitors.

Ability to offer flexible transaction structures and certainty of closing to meet the needs of royalty sellers

Royalty sellers often have a number of defined objectives with respect to transaction structure, timing and certainty of close. Our manager seeks to drive mutually beneficial outcomes through creative structures that may include royalties within specific geographies, performance thresholds, milestone payments and other bespoke payment arrangements. Our manager's ability to offer bespoke payment arrangements has been characterized by the use of the accelerated royalty transaction structure that was used to acquire Ilaris, Simponi and Stelara. This structure allowed the royalty vendor to receive payments over a time period that matched their capital requirements. We will have flexibility to structure transactions through a variety of means including traditional royalties, synthetic royalties, debt collateralized by royalties or other instruments that are based on the achievement of financial or development targets across both human and animal life sciences. We will take an agnostic approach to therapeutic areas, treatment modalities and technologies, which will offer us access to broad opportunities that will be evaluated against our investment criteria. When opportunities meet our investment criteria, we expect our manager's nimble investment team and access to capital will enable us to close on transactions efficiently.

Growth Strategy

We intend to grow our business by focusing on the acquisition of medically necessary products with long term patent protection and growth potential. Based on our manager's track record and strong acquisition pipeline, we see significant opportunities to acquire traditional pharmaceutical royalties and to create new, synthetic royalty streams. Our objective is to purchase between $650 million to $750 million of royalties over the next five years. Using the Seed Assets as an attractive royalty acquisition platform, we will target transactions that will generate long-term compounded growth in cash royalty receipts of between seven and nine percent from 2021 onwards. We expect to fund these acquisitions through the net proceeds of this offering, reinvestment of cash flow generated by the Seed Assets and the use of leverage.

The key elements of our strategy are outlined below.

Acquire additional royalties in target segments

The pharmaceutical industry is experiencing strong growth driven by a rapid pace of innovation, as evidenced by accelerating FDA drug approvals, new technology and increasing treatment complexity. As a result of these trends, combined with the increasing cost of development, we expect an increasing number of royalty acquisition opportunities. Our strategy is focused on the acquisition of royalty streams that meet our investment criteria and are based on the sales of drugs, therapeutics, devices, diagnostics and other life sciences technologies that:

- are either medically necessary or improve patient quality of life;
- have strong growth potential;
- are being developed or marketed by industry leading, high-quality life sciences companies;
- benefit from strong and long-lasting intellectual property (consistent with a targeted weighted-average duration of approximately eight years);
- are in the $25 million to $150 million investment size range; and
- are expected to provide us with a 12% gross unlevered internal rate of return, on average.

Through our manager's deep market relationships and unique sourcing ability, we seek to acquire royalties on products that generate stable and predictable sales with growth potential, such as products with the potential for approvals for new indications and / or new geographies. We will continue to maintain a flexible approach to transaction structure on products that meet our investment criteria. This strategy includes acquiring traditional royalties on existing products and technologies as well as direct collaboration with marketers to create and acquire synthetic royalties on their existing products and technologies. We are continuously reviewing royalty acquisition opportunities and currently have a pipeline of eight opportunities that we are actively reviewing.

Selectively pursue pre-approval product transactions

We intend to supplement our portfolio of royalties on approved and commercialized products with the acquisition of royalties on selected products that have not yet been granted regulatory approval in any major markets. We will employ a highly selective approach in therapeutic areas where our manager has the depth of knowledge required to minimize risk. All potential transactions will be evaluated against our investment criteria and will be subject to our manager's rigorous due diligence process. We will focus on products that are in the late-stages and demonstrating promising results in clinical development, are connected to established marketers and offer the potential to generate attractive risk-adjusted returns. We may structure these transactions in a number of forms, including monetization of an existing traditional royalty or providing capital in exchange for a synthetic royalty on future product sales.

Broad access to capital enhances our ability to execute our growth strategy

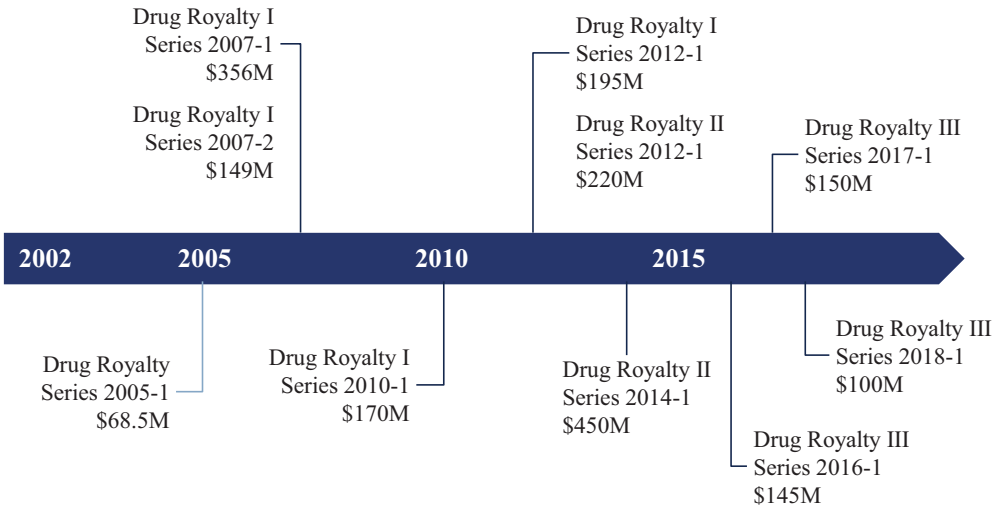
As a publicly listed entity, we expect to be well capitalized to execute on our growth strategy and expect to have access to a number of capital sources including: (i) net proceeds from this offering; (ii) internally generated cash flow; (iii) debt financing, including securitization; (iv) the issuance of Trust units to royalty sellers; and (v) future public equity issuances. Based on securitization indebtedness of approximately $69.1 million as of January 15, 2021 and our

pro forma Adjusted EBITDA of $78.5 million for the nine months ended September 30, 2020, our debt to pro forma Adjusted EBITDA ratio would be less than one.

The acquisition of pharmaceutical royalties can be financed through a variety of forms of debt, including single asset securitizations, pooled securitizations, bank debt, term loans and corporate bonds. Pooled securitizations are achieved by grouping several royalty assets together and issuing a debt security against this collateral pool. The resulting debt security can be rated or unrated and is often purchased by multi-strategy fixed income funds, life insurance companies and specialist securitization investors. In our manager's experience, pooled securitizations typically require a diverse portfolio of royalty streams with a moderate to long remaining life. The amount of available leverage is dependent on the quality of future cash flows of the royalty streams, the size and diversification of the asset pool, product marketers of the drugs underlying the royalties and consideration for a desired credit rating, if applicable. Leverage is typically calculated based on the present value of future cash flows multiplied by an appropriate loan-to-value ratio. Pooled securitizations amortize over a prescribed amortization schedule that tracks the shape of the underlying cash flows.

The quality and long-term nature of the royalty streams previously acquired by the DRI Capital Funds have allowed our manager to add leverage to the capital structure of the DRI Capital Funds. Through the strategic use of leverage, our manager has been able to accelerate the return of invested equity, grow the royalty portfolios held by the DRI Capital Funds, optimize the cost of capital and create value for fund investors. Our manager has raised the majority of fund debt in the asset-backed securities market. We believe that DRI Capital has unmatched expertise in securitization transactions for pharmaceutical royalties. Since 2005, the DRI Capital Funds have issued 10 series of senior secured notes through the securitization of pharmaceutical royalties totalling approximately $2 billion, all of which received investment grade credit ratings. Past issuances have ranged in size from $68.5 million to $450 million and included a basket of between eight and 31 royalty streams. Our manager's successful track record of debt issuances, combined with the durability of the underlying royalty streams, has made the debt securitization market an attractive and low-cost financing source. We believe this funding source provides debt capacity for future royalty acquisitions and our continued access to this market represents a meaningful competitive advantage.

DRI History of Securitization Transactions



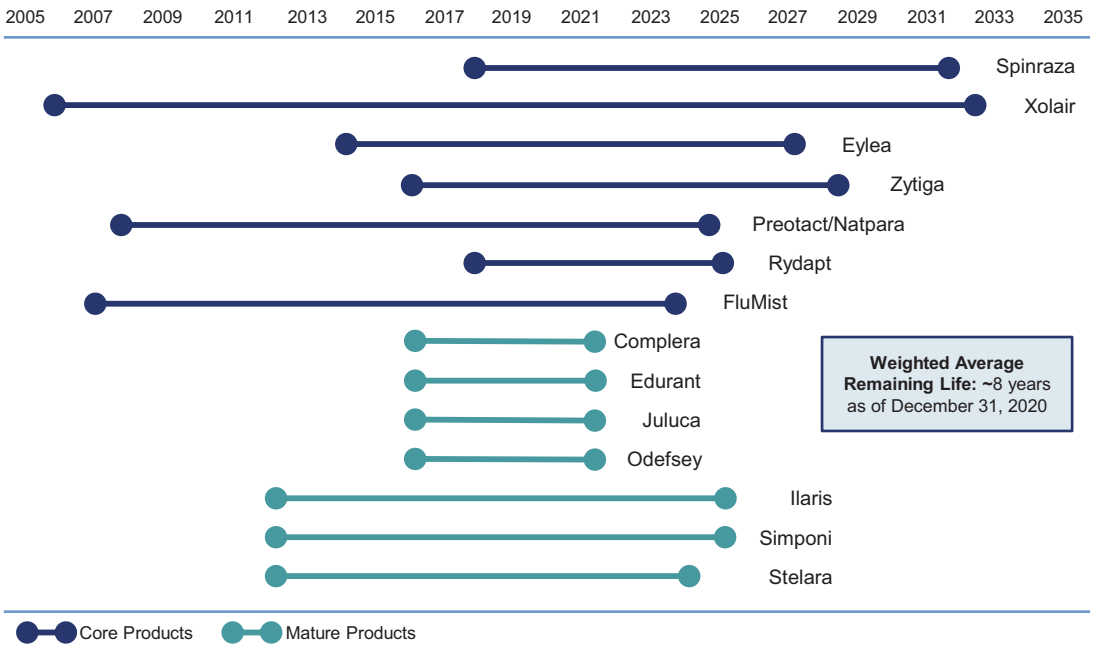
Overview of the Seed Assets

We will acquire the Seed Assets on closing using cash of approximately $292.7 million from the net proceeds of this offering and the concurrent private placement. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. The Seed Assets consist of 18 royalty streams on 14 products. We believe the Seed Assets represent an attractive and diversified portfolio of high quality, cash-generating royalty assets that are marketed by leading, global pharmaceutical companies. We also believe that the global sales of the products in our portfolio highlight the importance of each drug

to its marketers and the success of the product in the geographies where it is sold. For the nine months ended September 30, 2020, the DRI Capital Funds received cash royalty receipts of $86.5 million ($83.3 million from the Seed Assets and $3.2 million from a Legacy Product that has expired), and generated royalty income of $94.6 million and pro forma Adjusted EBITDA of $78.5 million and a pro forma Adjusted EBITDA Margin of 91%. As at December 31, 2020, the weighted-average remaining life of the Seed Assets is approximately eight years, based on expected future cash royalty receipts as at that date.

We classify the Seed Assets based on the expected expiry of the royalties in the principal royalty-bearing geography for each applicable product. The Seed Assets include seven Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021, and seven Mature Products, for which royalty entitlements in primary geographies have expired or are expected to expire before December 31, 2021. When DRI Capital accumulated the Seed Assets, they had an average duration of approximately 12 years until the expected expiry date of the royalty ("**Royalty Life**").

Overview of Seed Asset Durations(1)



Note:

(1) Based on expected expiry as determined by DRI Capital.

The table below provides an overview of the Seed Assets and outlines expected royalty expirations based on our manager's estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty bearing sales may also affect these estimates as a result of caps or other structuring elements.

Product Name	Primary Marketer(s)	Therapeutic Area	FDA Approval Date	2019 Worldwide Sales ($MM)[1]	2019 Cash Royalty Receipts ($MM)	Expected Royalty Expiry[6]
Core Products						
Spinraza	Biogen	Rare Diseases	December 2016	$2,097	$20.8	Q3 2031
Xolair	Roche Novartis	Respiratory	June 2003	$3,154	$8.8	Q2 2032
Eylea[2]	Bayer Regeneron Santen	Ophthalmology	November 2011	$7,542	$14.8	Q1 2027
Zytiga	Johnson & Johnson AstraZeneca	Oncology	September 2011[3]	$2,795	$18.6	Q2 2028
Natpara	Takeda	Endocrinology	January 2015	$184	$12.9	Q3 2024
Rydapt	Novartis	Oncology	April 2017	Not Publicly Disclosed	$6.0	Q1 2025
FluMist	AstraZeneca	Vaccine	June 2003	$113	$1.2	Q4 2023
Mature Products						
Complera[4]	Gilead Johnson & Johnson	HIV	August 2011	$406	$5.1	Q2 2021
Edurant[4]	Johnson & Johnson	HIV	May 2011	$861	$3.4	Q2 2021
Juluca[4]	ViiV	HIV	November 2017	$467	$4.0	Q2 2021
Odefsey[4]	Gilead Johnson & Johnson	HIV	March 2016	$1,655	$17.6	Q2 2021
Ilaris[5]	Novartis	Autoimmune Disease	June 2009	$671	$3.4	Q1 2025
Simponi[5]	Johnson & Johnson Merck Mitsubishi Tanabe	Autoimmune Disease	April 2009	$3,018	$18.8	Q1 2025
Stelara[5]	Johnson & Johnson Mitsubishi Tanabe	Autoimmune Disease	September 2009	$6,361	$59.8	Q2 2024

Notes:

(1) Worldwide sales as reported by respective product marketers.

(2) The Seed Assets include two royalty streams on Eylea, which we refer to as Eylea I and Eylea II.

(3) Represents the European Commission approval date.

(4) Part of the Rilpivirine Portfolio.

(5) The Seed Assets include two royalty streams on each product with one stream on each currently held within Drug Royalty III (the DRIT Portfolio) and one stream on each product within Drug Royalty II CIF, for a total of 6 streams.

(6) Quarter during which the final royalty payment is expected.

Core Products

Spinraza

Spinraza (nusinersen) is a survival motor neuron-2-directed antisense oligonucleotide treatment for spinal muscular atrophy. Spinraza was approved in 2016 and the DRI Capital Funds acquired a royalty on its worldwide sales in 2018. Spinraza is marketed worldwide by Biogen.

Our royalty entitlement represents a low-single digit percentage payable on the worldwide sales of Spinraza. Worldwide sales reported by Biogen were approximately $2.1 billion in 2019 and $20.8 million in cash royalty receipts were generated during the same period. Our entitlement is subject to step-downs if royalties exceed a specified annual threshold which has not been exceeded to date. We currently expect our entitlement to expire in the third quarter of 2030 in the United States and in the third quarter of 2031 outside of the United States. Royalties are collected on a one-quarter lag basis.

Xolair

Xolair (omalizumab) is an anti-IgE antibody initially indicated for the treatment of patients with moderate to severe persistent asthma. Xolair was approved in 2003 and the DRI Capital Funds acquired a royalty on its worldwide sales in 2005. Subsequent to the acquisition, Xolair was approved for the treatment of chronic idiopathic urticaria in 2014 and nasal polyps in 2020. Xolair is marketed by Roche and Novartis.

Our royalty entitlement represents a sub-single digit percentage. Royalties are payable on worldwide sales of Xolair; however, royalties collected on sales outside of the United States became less material in 2018 and substantially all of the royalties for Xolair are payable on U.S. sales on a go-forward basis. U.S. sales reported by Roche were approximately $2 billion in 2019 and our entitlement generated $8.8 million in cash royalty receipts during the same period. Royalties are collected on a two-quarter lag basis and are expected to expire in the second quarter of 2032 in the United States.

Eylea

Eylea (aflibercept) is a vascular endothelial growth factor inhibitor initially indicated for the treatment of neovascular wet age-related macular degeneration. Eylea was approved in 2011 and the DRI Capital Funds acquired two separate royalties on its worldwide sales, which we refer to as Eylea I and Eylea II. Subsequent to the acquisition of Eylea I, Eylea was approved for the treatment of macular edema following retinal vein occlusion and diabetic macular edema in 2014. Eylea was also approved for the treatment of diabetic retinopathy in 2015, subsequent to our acquisition of Eylea II. Eylea is marketed by Regeneron in the United States, Bayer outside of the United States and co-promoted by Santen in Japan.

Our royalty entitlements on each of Eylea I and Eylea II are below one-quarter percent on worldwide sales and the royalty rates are expected to effectively step down by 60% for royalties in the first quarter of 2022 for Eylea I and by 80% for royalties in the third quarter of 2023 for Eylea II. Worldwide sales reported by Regeneron were approximately $7.5 billion in 2019 and our entitlement on Eylea I and Eylea II generated $10.3 million and $4.6 million in cash royalty receipts, respectively, during the same period. Royalties are collected on a one-quarter lag basis and are expected to expire in the first quarter of 2027.

Zytiga

Zytiga (abiraterone acetate) is a CYP17 inhibitor initially indicated for the treatment of adult men with metastatic castration-resistant prostate cancer. Zytiga was approved in 2011 and the DRI Capital Funds acquired a royalty on its worldwide sales (excluding the United States) in 2016. Subsequent to our acquisition, the drug was approved to treat newly diagnosed high risk metastatic hormone sensitive prostate cancer in 2017. Zytiga is marketed globally by Johnson & Johnson and is co-promoted by AstraZeneca in Japan.

Our royalty entitlement represents a sub-single digit percentage payable on sales of Zytiga outside of the United States. The royalty rate steps down by 50% based on the entry of a generic equivalent on a country-by-country basis. We expect entry of a generic equivalent will occur on sales in the rest of the world beginning in 2021, in the European Union in the third quarter of 2022 and in Japan in the fourth quarter of 2023. Our entitlement generated $18.6 million

of cash royalty receipts in 2019, which included a one-time payment of $3.5 million related to a non-recurring event. Sales outside of the United States reported by Johnson & Johnson were approximately $1.7 billion in 2018 and our entitlement generated $12.3 million in cash royalty receipts during the same period. We expect our entitlement to expire in the European Union and the rest of the world (other than Japan) in the second quarter of 2026 and in Japan in the second quarter of 2028. Royalties are paid semi-annually. For sales made in the second and third quarters of a year, royalties are paid in the second quarter of the following year. For sales made in the fourth quarter and first quarter of the following year, are paid in the fourth quarter of that following year.

Natpara

Natpara (parathyroid hormone) is indicated as an adjunct to calcium and vitamin D to control hypocalcemia in patients with hypoparathyroidism. The DRI Capital Funds originally acquired a royalty on the European sales of Preotact (parathyroid hormone) in 2007. Preotact was voluntarily withdrawn from the market in 2014 and the compound was redeveloped and commercialized for its current indication under the Natpara brand in 2015. Under the terms of the Natpara agreement, royalties are payable on the worldwide sales of the product; however, we believe the U.S. market represents the majority of product sales. As a result of manufacturing and delivery related difficulties, Takeda has ceased product sales in the United States and is working with the FDA to resupply Natpara. In January 2020, Takeda announced that there will be a delay of more than one year to bring Natpara back to the U.S. market, implying that sales could resume during 2021. Natpara is globally marketed by Takeda.

Our royalty entitlement represents a mid-single digit percentage payable on worldwide sales of Natpara. Cash royalty receipts are subject to a cap of $125 million, of which $81.3 million has been collected to September 30, 2020. Worldwide sales reported by Takeda were $184 million in 2019 and our entitlement generated $12.9 million in cash royalty receipts during the same period. Royalties are collected on a one-quarter lag basis and our royalty entitlement is currently expected to reach the cap in the third quarter of 2024.

Rydapt

Rydapt (midostaurin) is a kinase inhibitor indicated for the treatment of patients with newly diagnosed advanced myeloid leukemia under certain mutations, aggressive systemic mastocytosis, systemic mastocytosis with associated hematological neoplasm or mast cell leukemia. Rydapt was approved in 2017 and the DRI Capital Funds acquired royalties on its worldwide sales in 2018. Rydapt is marketed worldwide by Novartis.

Our royalty entitlement represents a low-single digit percentage payable on worldwide sales of Rydapt. Worldwide sales are not publicly disclosed and our entitlement generated $6.0 million in cash royalty receipts in 2019. Royalties are expected to expire on sales outside of the United States in the first quarter of 2023 and in the United States in the first quarter of 2025. Royalties are collected on a one-quarter lag basis.

FluMist

FluMist is a live attenuated influenza virus vaccine that is indicated for active immunization for the prevention of influenza disease caused by influenza A subtype viruses and type B viruses. FluMist was approved in 2003 and the DRI Capital Funds acquired a royalty on its worldwide sales in 2007. FluMist is marketed worldwide by AstraZeneca.

Our royalty entitlement represents a low-single digit percentage payable on worldwide sales of FluMist. Worldwide sales reported by AstraZeneca were $113 million in 2019 and our entitlement generated $1.2 million in cash royalty receipts during the same period. Royalties are collected on a one-quarter lag basis and are expected to expire in the fourth quarter of 2023 worldwide.

Mature Products

Rilpivirine Portfolio

Rilpivirine is a molecule used as a treatment for HIV that is sold on its own under the brand name Edurant and also as a formulation with other medications sold under the brand names Complera, Juluca and Odefsey (together, the "**Rilpivirine Portfolio**"). The DRI Capital Funds acquired a sub-single digit percentage royalty on worldwide sales of

the Rilpivirine Portfolio in 2016. Total worldwide sales for the Rilpivirine Portfolio were approximately $3.4 billion in 2019 and our entitlement generated total cash royalty receipts of $30.1 million during the same period. Royalties are collected on a one-quarter lag basis and we expect the Rilpivirine Portfolio to generate additional proceeds of between $11 million to $16 million in cumulative cash royalty receipts starting from the first quarter of 2021 until the expiry of the entitlements in the second quarter of 2021.

Complera

Complera is indicated for use as a complete regimen for the treatment of HIV in treatment-naive adults or to replace a stable antiretroviral regimen in those who are virologically-suppressed. Complera is a three-drug combination, which includes rilpivirine. The drug was approved in 2011 and is marketed worldwide by Gilead. Johnson & Johnson has the right to distribute Complera in several countries including Mexico, Russia and Japan.

Edurant

Edurant (rilpivirine) is a non-nucleoside reverse transcriptase inhibitor indicated in combination with other antiretroviral agents for the treatment of HIV in treatment-naive adults. The drug was approved in 2011 and is marketed worldwide by Johnson & Johnson.

Juluca

Juluca is indicated as a complete regimen for the treatment of HIV in adults to replace the current antiretroviral regimen in those who are virologically-suppressed on a stable antiretroviral regimen. Juluca is a two-drug combination, which includes rilpivirine. Subsequent to our acquisition of the Rilpivirine Portfolio in 2016, Juluca received regulatory approval for the treatment of HIV in the United States in 2017 and in Europe and Japan in 2018. Juluca is marketed worldwide by ViiV Healthcare (owned by GlaxoSmithKline, Pfizer and Shionogi Limited).

Odefsey

Odefsey is indicated for use as a complete regimen for the treatment of HIV in treatment-naive adults or to replace a stable antiretroviral regimen in those who are virologically-suppressed. Similar to Complera, Odefsey is a three-drug combination, which includes rilpivirine. The drug was approved in 2016 and is marketed worldwide by Gilead. Johnson & Johnson has the right to distribute Odefsey in several countries including Mexico, Russia and Japan.

Ilaris, Simponi and Stelara

Ilaris, Simponi and Stelara are a portfolio of drugs on which royalties were purchased in 2012. Total worldwide sales for these drugs were approximately $10.1 billion in 2019. Our entitlement to royalties on these products are held within Drug Royalty III (which we refer to as the DRIT Portfolio) and within Drug Royalty II CIF. In aggregate, these royalties generated aggregate cash royalty receipts of $82.0 million in 2019. Royalties are collected on a one-quarter lag basis. Royalties on these products expired in the principal geographies in 2019. We expect these royalties to generate additional proceeds of between $9 million to $13 million in cumulative cash royalty receipts starting from the first quarter of 2021 until the expiry of the entitlements in the first quarter of 2025.

Ilaris

Ilaris (canakinumab) is an interleukin-1ß blocker that was initially indicated for Cryopyrin-Associated Periodic Syndromes treatment in 2009. Subsequent to our acquisition of the royalties in 2012, Ilaris was approved for new indications including Systemic Juvenile Idiopathic Arthritis in 2013, Tumor Necrosis Factor Receptor Associated Periodic Syndrome, Hyperimmunoglobulin D Syndrome / Mevalonate Kinase Deficiency and Familial Mediterranean Fever in 2016 and active Still's disease in 2020. Ilaris is marketed globally by Novartis.

Simponi

Simponi (golimumab) is a tumor necrosis factor blocker that was initially indicated for the treatment of adult patients with moderate to severe active rheumatoid arthritis, psoriatic arthritis and ankylosing spondylitis in 2009.

Subsequent to our acquisition of the royalties in 2012, Simponi was approved for ulcerative colitis in 2013. Simponi is marketed in the United States by Johnson & Johnson, marketed in Europe by Merck and is co-promoted in Japan by Mitsubishi Tanabe.

Stelara

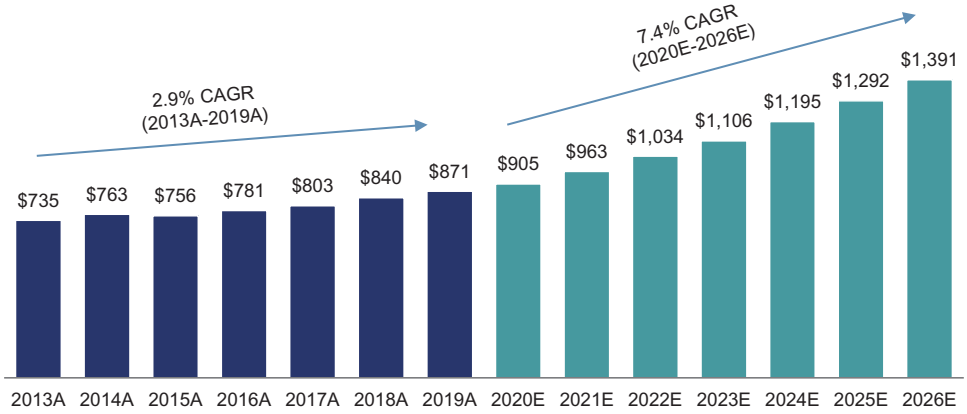
Stelara (ustekinumab) is a human interleukin-12 and -23 antagonist that was initially indicated for the treatment of adult patients with moderate to severe plaque psoriasis in 2009. Subsequent to our acquisition of the royalties in 2012, Stelara has received approvals for several new indications including psoriatic arthritis in 2013, moderately to severely active Crohn's disease in 2016, moderately to severely active ulcerative colitis in 2019 and for pediatric patients with moderate to severe plaque psoriasis in 2020. Stelara is marketed worldwide by Johnson & Johnson and is co-promoted in Japan by Mitsubishi Tanabe.

Industry Overview

The global biopharmaceutical industry is a large and growing market with compelling fundamentals

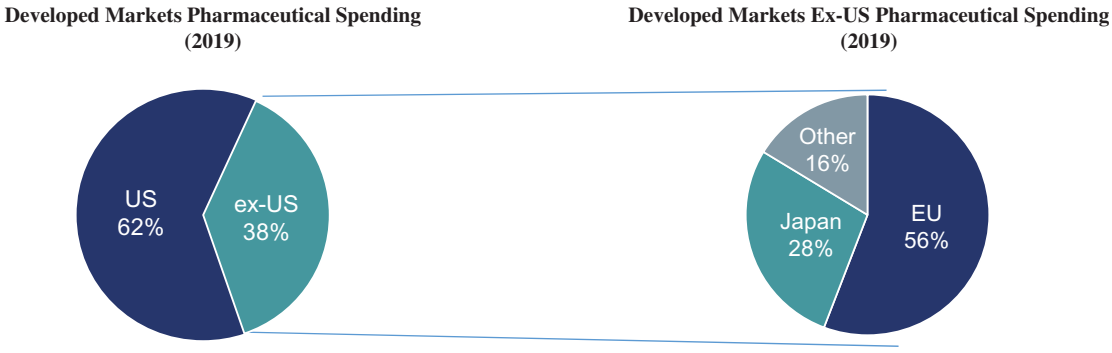
Global prescription pharmaceutical sales are expected to grow from approximately $900 billion in 2020 to almost $1.4 trillion in 2026, representing a CAGR of 7.4%, according to EvaluatePharma. Demand for innovative and effective therapies continues to be a long-term growth driver and we do not believe that pharmaceutical sales have experienced any major effects from the COVID-19 pandemic. Additionally, global population growth and increasing life expectancy are secular tailwinds supporting ongoing industry growth.

Projected Worldwide Prescription Drug Sales 2020E-2026E ($ billions)



Source: EvaluatePharma – *World Preview 2020, Outlook to 2026*, July 2020.

From a geographic perspective, pharmaceutical spending in developed markets, which include the U.S., Japan, Germany, France, Spain, the United Kingdom, Canada, South Korea and Australia, comprised 66% of global spending in 2019, according to the IQVIA Institute. U.S. pharmaceutical spending represented 62% of the total spending in the developed markets. Within developed markets, excluding the United States, European countries (Germany, France, Italy, Spain and the United Kingdom) collectively represented 56% of spending, Japan represented 28% of spending and Canada, South Korea and Australia collectively represented 16% of spending.

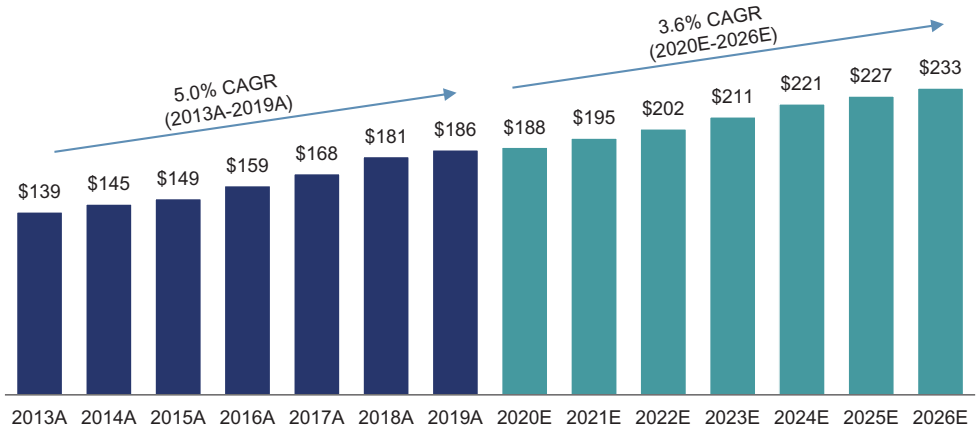


Source: IQVIA Institute – *Global Medicine Spending and Usage Trends Outlook to 2024*, March 2020

Annual expenditures on pharmaceutical R&D are forecasted to grow to over $230 billion by 2026

Worldwide pharmaceutical R&D expenditures totaled $186 billion in 2019, representing an increase of nearly 3% over the previous year. Between 2020 and 2026, worldwide pharmaceutical R&D spend is forecast to grow steadily at a CAGR of 3.6% to reach $233 billion by 2026, according to EvaluatePharma. The industry is trending towards more specialized treatments with smaller patient populations and biopharmaceutical companies investing heavily in ways to improve R&D efforts.

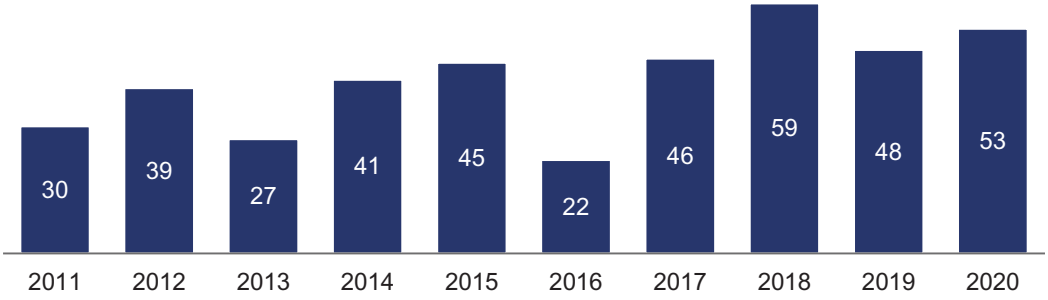
Projected Worldwide Total Pharmaceutical R&D Spend ($ billions)



Source: EvaluatePharma – *World Preview 2020, Outlook to 2026*, July 2020.

An acceleration of medical research over time has created R&D opportunities for new drugs and increased the number of newly launched products per year, as evidenced by increasing FDA approval rates. Novel drugs are often innovative products that serve previously unmet medical needs or otherwise help to advance patient treatments. FDA approvals reached an all-time high in 2018 with 59 novel drugs and biologics approved.

New Molecular Entity ("NME") / New Biologic License Application FDA Approvals

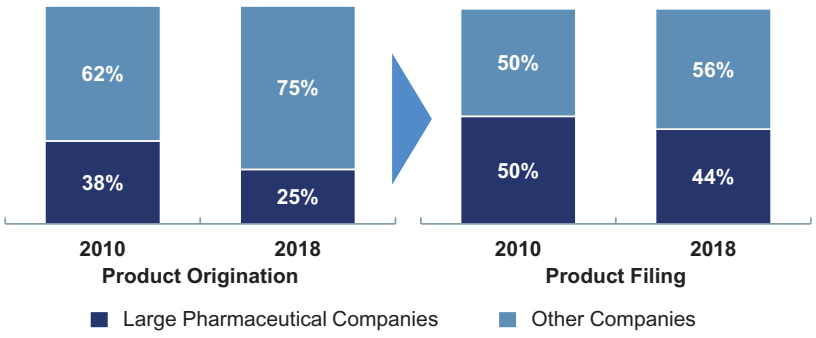


Source: FDA website, novel drug approvals. Data as of 01/06/21.

Large pharma companies increasingly depend on external innovation through licensing assets or acquisitions

Worldwide pharmaceutical sales continue to shift toward biotechnology and away from conventional technologies, reflecting the increasing complexity of products launched by the industry. Biotechnology products are expected to contribute 35% of sales by 2026, up from 20% in 2012, according to EvaluatePharma. Smaller pharmaceutical companies are increasingly contributing to the development and commercialisation of products, while large pharmaceutical companies filed for approval for fewer than half of the "new active substances" launched in 2018. In addition to their own in-house development, large pharmaceutical companies seek to purchase innovation from external sources by licensing assets or acquiring companies. This trend is reflected by the increasing number of smaller companies developing pharmaceutical products approved for marketing. In 2010, 38% of the approved drugs worldwide were originated at large pharmaceutical companies, but by 2018 this number had declined to 25%. By contrast, large pharmaceutical companies still had the rights to market 44% of the 2018 approvals, which decreased only slightly from 50% in 2010. This demonstrates that smaller pharmaceutical companies are increasingly contributing more to the development of products and that ultimately many of these products find their way into the hands of large pharmaceutical companies by the time they are filed for approval. As intellectual property is transferred from inventors, academics and biopharmaceutical companies to large pharmaceutical companies, there are opportunities for the creation of new royalties. As R&D continues to be outsourced, we expect there will be more future royalty opportunities.

Large Pharmaceutical Companies Increasingly Depend on External Innovation



Source: IQVIA Report – *Changing Landscape of R&D*, April 2019.

Note:

(1) Represents the percentage of approved drugs each year.

Competition

The pharmaceutical royalty investing industry is comprised of a limited number of competitors that focus on a range of investment strategies. These competitors can be divided based on whether they employ a fixed income or growth equity focus and based on transaction size targets. Fixed income-oriented investors tend to pursue debt and debt-like transactions with limited growth potential. Growth equity investors tend to pursue royalty transactions with growth potential. Several large-cap public investors, including institutional asset managers and public pension plans, compete for sizeable transactions (generally over $500 million) either by way of a fixed income or growth equity strategy. In addition, several fixed income oriented institutional investors and public pension plans compete for small and medium sized transactions (generally $25 million to $500 million).

We face competition from other entities that acquire pharmaceutical royalties, including competitors to our manager that are in the similar business of acquiring pharmaceutical royalties. There are a limited number of suitable and attractive acquisition opportunities available in the market. Therefore, competition to acquire such assets can be intense. Our manager is subject to competition from other potential royalty buyers, including from the companies that market the products on which royalties are paid, financial institutions and other entities. These potential royalty buyers may be larger and better capitalized than us. Our manager may not be able to identify and obtain a sufficient number of asset acquisition opportunities to invest the full amount of capital that may be available to us. There can be no assurance that we will continue to acquire biopharmaceutical products and companies that hold biopharmaceutical royalties that are acceptable to us.

Employees

Our trustees and executive officers will oversee our operations and activities. However, we do not currently have any employees or any officers other than our executive officers. Pursuant to the management agreement with our manager, our manager will provide services to us. See "Agreements with our Manager".

As of December 31, 2020, our manager and its affiliates had 27 full-time employees and six advisory panel members. None of these employees are represented by labour unions or covered by any collective bargaining agreement. We believe that our manager's relations with its employees are satisfactory.

Legal Proceedings

None of us, our manager or the Seed Assets is involved in any litigation or proceedings or regulatory actions which, if determined adversely, would be material to us, and no such proceedings are known to us to be contemplated.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION AND OTHER DATA

The following tables present summary pro forma and historical financial information and other data for the periods and as at the dates indicated therein. The following selected pro forma and summary financial information and other data have been derived from: (i) the consolidated financial statements of the Trust as at and for the period ended December 31, 2020, (ii) the pro forma consolidated financial statements of the Trust as at and for the nine months ended September 30, 2020 and the year ended December 31, 2019, (iii) the audited combined and consolidated financial statements of Drug Royalty Fund I, or Fund I, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed combined and consolidated financial statements of Fund I for the three and nine month periods ended September 30, 2020 and 2019, (iv) the audited consolidated financial statements of Drug Royalty III, L.P., or DR III LP, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed consolidated financial statements of DR III LP for the three and nine month periods ended September 30, 2020 and 2019, and (v) the audited carve-out financial statements of RMF 2 Co-Investment Fund Portfolio, or the RMF 2 Portfolio, for each of the years ended December 31, 2019, 2018 and 2017 and the unaudited interim condensed carve-out financial statements of the RMF 2 Portfolio for the three and nine month periods ended September 30, 2020 and 2019, in each case, included elsewhere in this prospectus.

We refer to three categories of royalty assets: "Core Products", "Mature Products" and "Legacy Products". Core Products are products for which royalty entitlements in primary geographies are expected to expire after December 31, 2021. Mature Products are products for which royalty entitlements in primary geographies are expected to expire

before December 31, 2021. Legacy Products are products for which royalty entitlements have already expired in accordance with their terms. The Legacy Products do not form part of the Seed Assets. However, the assets, liabilities and results of operations of the Legacy Products are reflected in the historical financial statements included elsewhere in this prospectus and in this summary.

In this prospectus, we use the term "cash royalty receipts". We also refer to certain non-IFRS measures, namely Total Cash Royalty Receipts, Adjusted EBITDA and Adjusted EBITDA Margin. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to help understand our business and the assets that we will acquire pursuant to the Closing Transactions. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

This information is a summary only. Pro forma and historical results are not necessarily indicative of the results that may be expected for any future period.

Prospective investors should review this information in conjunction with our consolidated financial statements including the notes thereto as well as "About this Prospectus", "Meaning of Certain References", "Non-IFRS Measures and Industry Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds", "Consolidated Capitalization", "Description of Indebtedness" and "Description of Equity Capital" included elsewhere in this prospectus.

Selected Pro Forma Financial Information

	For the nine month period ended September 30, 2020 (Pro Forma)						
	Trust	**Fund I**	**DR III LP**	**RMF 2 Portfolio**	**Subtotal**	**Pro Forma Adjustments**	**Pro Forma**
Pro Forma Statement of Income (Loss) Data:							
Income							
Royalty income	—	$10,727,612	$79,346,670	$4,480,213	$94,554,495	—	$94,554,495
Interest income	—	—	92,622	5,467	98,089	—	98,089
	—	**10,727,612**	**79,439,292**	**4,485,680**	**94,652,584**	**—**	**94,652,584**
Expenses[1]							
Amortization of royalty investments	—	2,624,718	40,543,761	1,754,693	44,923,172	(12,062,527)[5]	32,860,645
Reversal of impairment of royalty investments	—	—	(1,028,942)	—	(1,028,942)	—	(1,028,942)
Interest expense and finance fees	—	—	4,173,889	—	4,173,889	—	4,173,889
Servicer fees[2]	—	—	1,200,000	—	1,200,000	—	1,200,000
Performance fees	—	—	—	591,502	591,502	(591,502)[6]	—
Management fees	—	—	—	—	—	5,622,950[7]	5,622,950
Operating expenses	362	300,907	1,227,276	56,453	1,584,998	—	1,584,998
Net change in unrealized depreciation of interest rate swap	—	—	5,528	—	5,528	—	5,528
Net change in unrealized depreciation of foreign exchange swaps	—	—	430,005	—	430,005	—	430,005
Net realized gain on foreign exchange swap	—	—	(342,818)	—	(342,818)	—	(342,818)
	362	**2,925,625**	**46,208,699**	**2,402,648**	**51,537,334**	**(7,031,079)**	**44,506,255**
Net income (loss) and comprehensive income (loss)	**($362)**	**$ 7,801,987**	**$33,230,593**	**$2,083,032**	**$43,115,250**	**$ 7,031,079**	**$50,146,329**
Non-IFRS Measures[3]							
Total Cash Royalty Receipts	**—**	**$12,026,984**	**$68,274,224**	**$6,205,708**	**—**	**—**	**—**
Adjusted EBITDA	**($362)**	**$11,726,077**	**$66,282,388**	**$5,563,220**	**$83,571,323**	**($ 5,031,448)**	**$78,539,875**
Adjusted EBITDA Margin[4]							**91%**

Notes:

(1) Excludes expenses the Trust expects to incur as a result of being a public company, which are estimated to be $1.4 million per year.

(2) Servicer fees represent fees paid to DRI Capital, in its capacity as the servicer with respect to Fund III's outstanding securitization indebtedness. See "Description of Indebtedness".

(3) See "Reconciliation of Non-IFRS Measures (Pro Forma)" and "Reconciliation of Non-IFRS Measures" below.

(4) Adjusted EBITDA Margin is Adjusted EBITDA, divided by the sum of Total Cash Royalty Receipts for each of Fund I, DR III LP and the RMF 2 Portfolio.

(5) The historical amortization related to the Seed Assets was $44,534,066 for the nine months ended September 30, 2020 and for other royalty investments, which have expired and are not included in the Seed Assets, was $389,106 for the nine months ended September 30, 2020 for total amortization of $44,923,172 for the nine months ended September 30, 2020. For the purposes of the pro forma consolidated financial statements, the Trust is required to eliminate the historical amortization associated with the Seed Assets and present the amortization based on the fair value of the Seed Assets acquired as if the transaction had occurred on January 1, 2019. As described in note 3(a) to the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, the Trust has determined the fair value of the Seed Assets primarily using the discounted expected future cash flow of the royalty investments as of the acquisition date. The acquisition date fair value of the Seed Assets in aggregate including royalties receivable at September 30, 2020 is lower than the carrying value of those assets as at January 1, 2019 due to ordinary course receipt of royalties on the assets over time and the impact on the fair value of certain Seed Assets of the end of royalty entitlements in certain geographic regions in 2019 and 2020. As a result, the amortization reported in the unaudited pro forma consolidated statement of net income, determined based on the acquisition-date fair value of the Seed Assets is lower than the combined historical amortization reflected in the financial statements of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. The impact of these adjustments is a net decrease in amortization of $12,062,527 for the nine months ended September 30, 2020 related to the Seed Assets. The pro forma amortization of royalty investments reflected in the pro forma consolidated financial statements of the Trust giving effect to the adjustment noted above represents amortization for the Seed Assets of $32,471,539 for the nine months ended September 30, 2020 and for other royalty investments that have expired of $389,106 for the nine months ended September 30, 2020 for total amortization of $32,860,645 for the nine months ended September 30, 2020.

(6) To eliminate performance fees associated with the Seed Assets of $591,502 for the nine months ended September 30, 2020 in the unaudited pro forma consolidated statement of net income and comprehensive income as these performance fees will not be reflective of the Trust's fee arrangements with DRI Capital pursuant to the management agreement. Pursuant to the management agreement, no performance fees will be paid in respect of the Seed Assets.

(7) To reflect management fees that would have been paid by the Trust to DRI Capital had the expected management fee arrangement that is to be in place after the Acquisition been in place for the nine months ended September 30, 2020. Management fees payable by the Trust to DRI Capital as per the management agreement are to be calculated as 6.5% of Cash Royalty Receipts during the period.

	As at September 30, 2020 (Pro Forma)						
	Trust	Fund I	DR III LP	RMF 2 Portfolio	Subtotal	Pro Forma Adjustments	Pro Forma
Pro Forma Statement of Financial Position Data:							
Cash and cash equivalents	$ 10	$ 99,388	$ 1,964,848	$ 29,872	$ 2,094,118	$107,084,418[1][2][3]	$109,178,536
Funds held in trust	—	—	16,626,738	—	16,626,738	13,503,643[2]	30,130,381
Royalties receivable	—	6,249,197	32,445,710	1,600,955	40,295,862	1,642,218[2]	41,938,080
Royalty investments, at net book value	—	41,876,521	168,793,383	1,313,977	211,983,881	93,563,845[2]	305,547,726
Total assets	10	48,289,096	222,732,855	2,950,344	273,972,305	214,925,958	488,898,263
Accounts payable and accrued liabilities	362	101,224	1,414,544	33,406	1,549,536	21,856,461[2][4]	23,405,997
Secured notes payable – current	—	—	51,476,145	—	51,476,145	(6,295,315)[2]	45,180,830
Secured notes payable – non-current	—	—	46,019,482	—	46,019,482	(3,950,880)[2]	42,068,602
Total liabilities	362	101,224	98,910,171	39,561	99,051,318	11,604,111	110,655,429
Total equity	($352)	$48,187,872	$123,822,684	$2,910,783	$174,920,987	$203,321,847	$378,242,834

Notes:

(1) Upon completion of this offering and the concurrent private placement, the Trust will receive gross cash proceeds of $400,000,000 and use $292,669,843 of the proceeds of this offering to indirectly acquire the Seed Assets and related working capital. In addition, we will assume certain outstanding securitization indebtedness associated with the Seed Assets . As of September 30, 2020, the net book value of securitization indebtedness was $97,495,627. On October 15, 2020 and January 15, 2021, principal repayments were made on the securitization indebtedness in the amounts of $10,453,465 and $18,181,925 respectively. The net book value of indebtedness as of January 15, 2021 was $69,101,342. In addition, at September 30, 2020, the net book value of securitization indebtedness included $1,063,468 of deferred financing fees which were reduced by $241,105 to $822,363 as of January 15, 2021.

(2) As described in note 3(a) of the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, royalty investments and the working capital accounts of the Trust have been adjusted to reflect the preliminary fair value estimates of the assets acquired, and the liabilities assumed as a result of the Closing Transaction.

(3) To eliminate $29,872 in cash as in accordance with the purchase and sale agreement, as part of the Closing Transactions, the Trust will only be acquiring the royalty investments and related royalties receivable from the RMF 2 Portfolio and will not be acquiring any working capital as part of the Acquisition.

(4) Includes expenses of this offering of $21,756,814, including the Underwriters' Fee, the elimination of $33,406 in accounts payable and accrued liabilities related to the RMF 2 Portfolio that will not acquired by the Trust and the adjustments noted in (2) above.

	For the year ended December 31, 2019 (Pro Forma)						
	Trust	Fund I	DR III LP	RMF 2 Portfolio	Subtotal	Pro Forma Adjustments	Pro Forma
Pro Forma Statement of Income Data:							
Income							
Royalty income	—	$30,906,643	$144,300,491	$33,950,473	$209,157,607	—	$209,157,607
Interest income	—	54,918	969,129	65,997	1,090,044	—	1,090,044
	—	**30,961,561**	**145,269,620**	**34,016,470**	**210,247,651**	**—**	**210,247,651**
Expenses							
Amortization of royalty investments	—	12,933,318	82,631,024	13,174,658	108,739,000	(37,768,629)[2]	70,970,371
(Reversal of) impairment of royalty investments	—	(406,307)	9,880,791	—	9,474,484	—	9,474,484
Interest expense and finance fees	—	54,571	10,285,629	—	10,340,200	—	10,340,200
Servicer fees[1]	—	265,000	1,600,000	—	1,865,000	—	1,865,000
Performance fees	—	—	—	6,666,174	6,666,174	(6,666,174)[3]	—
Management fees	—	—	—	—	—	18,222,190[4]	18,222,190
Operating expenses	—	497,631	2,659,759	60,975	3,218,365	—	3,218,365
Net change in unrealized (appreciation) depreciation of interest rate swap	—	(10,580)	152,517	—	141,937	—	141,937
Net change in unrealized depreciation of foreign exchange swaps	—	—	489,000	—	489,000	—	489,000
Net realized gain on foreign exchange swap	—	—	(633,056)	—	(633,056)	—	(633,056)
	—	**13,333,633**	**107,065,664**	**19,901,807**	**140,301,104**	**(26,212,613)**	**114,088,491**
Net income and comprehensive income	**—**	**$17,627,928**	**$ 38,203,956**	**$14,114,663**	**$ 69,946,547**	**$ 26,212,613**	**$ 96,159,160**

Notes:

(1) Servicer fees represent fees paid to DRI Capital, in its capacity as the servicer with respect to Fund III's outstanding securitization indebtedness. See "Description of Indebtedness".

(2) The historical amortization related to the Seed Assets was $95,607,755 for the year ended December 31, 2019 and for other royalty investments, which have expired and are not included in the Seed Assets, was $13,131,245 for the year ended December 31, 2019 for total amortization of $108,739,000 for the year ended December 31, 2019. For the purposes of the pro forma consolidated financial statements, the Trust is required to eliminate the historical amortization associated with the Seed Assets and present the amortization based on the fair value of the Seed Assets acquired as if the transaction had occurred on January 1, 2019. As described in note 3(a) to the pro forma consolidated financial statements of the Trust for the year ended December 31, 2019 and the nine month period ended September 30, 2020, the Trust has determined the fair value of the Seed Assets primarily using the discounted expected future cash flow of the royalty investments as of the acquisition date. The acquisition date fair value of the Seed Assets in aggregate including royalties receivable at September 30, 2020 is lower than the carrying value of those assets as at January 1, 2019 due to ordinary course receipt of royalties on the assets over time and the impact on the fair value of certain Seed Assets of the end of royalty entitlements in certain geographic regions in 2019 and 2020. As a result, the amortization reported in the unaudited pro forma consolidated statement of net income, determined based on the acquisition-date fair value of the Seed Assets is lower than the combined historical amortization reflected in the financial statements of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. The impact of these adjustments is a net decrease in amortization of $37,768,629 for the year ended December 31, 2019 related to the Seed Assets. The pro forma amortization of royalty investments reflected in the pro forma consolidated financial statements of the Trust giving effect to the adjustment noted above represents amortization for the Seed Assets of $57,839,126 for the year ended December 31, 2019 and for other royalty investments that have expired of $13,131,245 for the year ended December 31, 2019 for total amortization of $70,970,371 for the year ended December 31, 2019.

(3) To eliminate performance fees associated with the Seed Assets of $6,666,174 for the year ended December 31, 2019 in the unaudited pro forma consolidated statement of net income and comprehensive income as these performance fees will not be reflective of the Trust's fee arrangements with DRI Capital pursuant to the management agreement. Pursuant to the management agreement, no performance fees will be paid in respect of the Seed Assets.

(4) To reflect management fees that would have been paid by the Trust to DRI Capital had the expected management fee arrangement that is to be in place after the Acquisition been in place for the year ended December 31, 2019. Management fees payable to DRI Capital as per the management agreement are to be calculated as 6.5% of Cash Royalty Receipts during the period.

Reconciliation of Non-IFRS Measures (Pro Forma)

The following table reconciles net income and comprehensive income to Adjusted EBITDA based on the historical financial information of Fund I, DR III LP and the RMF 2 Portfolio for the period indicated.

	For the nine month period ended September 30, 2020 (Pro Forma)						
	Trust	**Fund I**	**DR III LP**	**RMF 2 Portfolio**	**Subtotal**	**Pro Forma Adjustments**	**Pro Forma**
Reconciliation of net income (loss) and comprehensive income (loss) to Adjusted EBITDA:							
Net income (loss) and comprehensive income (loss)	($362)	$ 7,801,987	$ 33,230,593	$ 2,083,032	$ 43,115,250	$ 7,031,079	$ 50,146,329
Amortization of royalty investments	—	2,624,718	40,543,761	1,754,693	44,923,172	(12,062,527)	32,860,645
Interest expense and finance fees	—	—	4,173,889	—	4,173,889	—	4,173,889
EBITDA	**($362)**	**$10,426,705**	**$ 77,948,243**	**$ 3,837,725**	**$ 92,212,311**	**($ 5,031,448)**	**$ 87,180,863**
Adjustments:							
Royalties receivable, beginning of period	—	7,548,569	21,373,264	3,326,450	32,248,283	—	32,248,283
Royalties receivable, end of period	—	(6,249,197)	(32,445,710)	(1,600,955)	(40,295,862)	—	(40,295,862)
Reversal of impairment of royalty investments	—	—	(1,028,942)	—	(1,028,942)	—	(1,028,942)
Net change in unrealized depreciation of interest rate swap	—	—	5,528	—	5,528	—	5,528
Net change in unrealized depreciation of foreign exchange swaps	—	—	430,005	—	430,005	—	430,005
Adjusted EBITDA	**($362)**	**$11,726,077**	**$ 66,282,388**	**$ 5,563,220**	**$ 83,571,323**	**($ 5,031,448)**	**$ 78,539,875**

Other Measures – Cash Royalty Receipts, Total Cash Royalty Receipts and Adjusted EBITDA

Drug Royalty Fund I (Fund I)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Core Products							
Xolair	$2,903,738	$2,753,205	$ 6,700,951	$ 5,943,209	$ 8,812,989	$12,471,184	$11,955,310
Natpara	355,314	3,733,009	960,019	10,758,657	12,941,793	10,757,244	6,819,469
FluMist	—	95,733	1,172,555	1,036,480	1,193,822	1,157,275	1,144,872
Total Cash Royalty Receipts – Core Products	**3,259,052**	**6,581,947**	**8,833,525**	**17,738,346**	**22,948,604**	**24,385,703**	**19,919,651**
Legacy Products							
TaqMan PCR	350,349	2,493,068	3,180,566	7,226,252	9,776,771	9,134,369	8,559,985
Advate	—	—	—	506,639	506,639	405,312	405,312
Remicade	—	—	—	68,825	68,825	2,906,970	3,293,433
Remicade II	—	—	—	268,253	268,253	13,130,797	14,421,630
PEG-Intron	—	—	—	—	—	23,955	—
Other[1]	4,055	4,970	12,893	15,465	19,945	36,732	121,359
Total Cash Royalty Receipts – Legacy Products	**354,404**	**2,498,038**	**3,193,459**	**8,085,434**	**10,640,433**	**25,638,135**	**26,801,719**
Total Cash Royalty Receipts[2]	**$3,613,456**	**$9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$50,023,838**	**$46,721,370**
Adjusted EBITDA[2]	**$3,519,220**	**$8,835,550**	**$11,726,077**	**$25,196,452**	**$32,881,324**	**$48,844,773**	**$45,465,269**

Notes:

(1) Other represents royalty income received from Legacy Products that are fully amortized and where applicable entitlements have generally expired.

(2) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See “Reconciliation of Non-IFRS Measures” below.

Drug Royalty III, L.P. (Fund III)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Core Products							
Spinraza	$ 5,030,230	$ 5,153,891	$16,213,856	$ 15,326,909	$ 20,778,638	$ 3,777,599	$ —
Eylea I	—	2,586,918	5,426,138	7,545,754	10,253,216	9,313,655	8,132,984
Eylea II	—	1,149,742	2,411,331	3,347,004	4,550,320	4,093,081	3,538,123
Zytiga	—	—	8,266,925	11,350,832	18,642,540	12,301,291	10,784,273
Rydapt	1,873,207	859,621	6,552,527	3,832,822	5,989,573	1,801,051	—
Total Cash Royalty Receipts – Core Products	**6,903,437**	**9,750,172**	**38,870,777**	**41,403,321**	**60,214,287**	**31,286,677**	**22,455,380**
Mature Products							
Rilpivirine Portfolio[1]	8,179,164	7,256,053	23,885,670	21,858,148	30,065,557	28,400,059	22,352,624
DRIT Portfolio[2]	1,293,715	10,231,239	5,517,777	29,038,230	38,609,567	35,478,285	27,550,045
Total Cash Royalty Receipts – Mature Products	**9,472,879**	**17,487,292**	**29,403,447**	**50,896,378**	**68,675,124**	**63,878,344**	**49,902,669**
Legacy Products							
Ampyra	—	—	—	—	—	10,285,030	11,063,983
Keytruda	—	14,214,652	—	74,471,192	74,471,192	81,769,260	28,171,128
Total Cash Royalty Receipts – Legacy Products	**—**	**14,214,652**	**—**	**74,471,192**	**74,471,192**	**92,054,290**	**39,235,111**
Total Cash Royalty Receipts[3]	**$16,376,316**	**$41,452,116**	**$68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**
Adjusted EBITDA[3]	**$15,582,868**	**$40,096,370**	**$66,282,388**	**$164,568,525**	**$200,703,029**	**$179,301,491**	**$ 95,743,586**

Notes:

(1) The Rilpivirine Portfolio consists of an agreement to receive royalties on products that include rilpiverine, including sales of Complera, Edurant, Juluca and Odefsey.

(2) The DRIT Portfolio consists of an agreement to receive royalties on sales of Ilaris, Simponi and Stelara.

(3) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of Non-IFRS Measures" below.

RMF 2 Co-Investment Fund Portfolio (RMF 2 Portfolio)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash Royalty Receipts:							
Mature Products							
Ilaris	$ 170,985	$ 454,241	$ 842,701	$ 1,294,926	$ 1,829,634	$ 1,411,019	$ 992,761
Simponi	1,140,325	2,053,922	3,436,809	7,726,188	9,490,603	12,144,936	10,318,012
Stelara	329,688	8,993,369	1,926,198	23,611,739	32,071,514	26,310,442	19,689,731
Total Cash Royalty Receipts[1]	**$1,640,998**	**$11,501,532**	**$6,205,708**	**$32,632,853**	**$43,391,751**	**$39,866,397**	**$31,000,504**
Adjusted EBITDA[1]	**$1,476,365**	**$10,356,951**	**$5,563,220**	**$27,059,714**	**$36,730,599**	**$39,891,228**	**$30,928,729**

Note:

(1) Total Cash Royalty Receipts and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of Non-IFRS Measures" below.

Reconciliation of Non-IFRS Measures

The following tables reconcile royalty income to Total Cash Royalty Receipts, and net income and comprehensive income to Adjusted EBITDA, in each case based on the historical financial information of Fund I, DR III LP and the RMF 2 Portfolio for the periods indicated.

Drug Royalty Fund I (Fund I)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 4,349,069**	**$ 9,641,770**	**$10,727,612**	**$25,258,450**	**$30,906,643**	**$ 49,114,775**	**$ 47,782,602**
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
Total Cash Royalty Receipts	**$ 3,613,456**	**$ 9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$ 50,023,838**	**$ 46,721,370**
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 3,491,564**	**$ 5,790,040**	**$ 7,801,987**	**$14,435,669**	**$17,627,928**	**$ 29,845,430**	**$ 29,769,694**
Amortization of royalty investments	763,269	3,607,295	2,624,718	10,557,769	12,933,318	17,432,398	14,967,661
Interest expense and finance fees	—	—	—	54,571	54,571	579,942	1,246,550
EBITDA	**$ 4,254,833**	**$ 9,397,335**	**$10,426,705**	**$25,048,009**	**$30,615,817**	**$ 47,857,770**	**$ 45,983,905**
Adjustments:							
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
(Reversal of) impairment of royalty investments	—	—	—	(406,307)	(406,307)	302,921	103,386
Net change in unrealized appreciation of interest rate swap	—	—	—	(10,580)	(10,580)	(86,730)	(214,379)
Net change in unrealized (appreciation) depreciation of foreign exchange swap	—	—	—	—	—	(138,251)	653,589
Adjusted EBITDA	**$ 3,519,220**	**$ 8,835,550**	**$11,726,077**	**$25,196,452**	**$32,881,324**	**$ 48,844,773**	**$ 45,465,269**

Drug Royalty III, L.P. (DR III LP)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 28,938,543**	**$ 29,241,492**	**$ 79,346,670**	**$110,753,898**	**$144,300,491**	**$219,768,326**	**$132,891,942**
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
Total Cash Royalty Receipts	**$ 16,376,316**	**$ 41,452,116**	**$ 68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 15,552,936**	**$ 10,559,296**	**$ 33,230,593**	**$ 38,584,222**	**$ 38,203,956**	**$ 57,998,634**	**$ 6,296,562**
Amortization of royalty investments	11,212,842	15,592,565	40,543,761	61,878,839	82,631,024	143,045,271	94,639,290
Interest expense and finance fees	1,076,393	2,372,388	4,173,889	8,207,052	10,285,629	10,425,179	10,394,896
EBITDA	**$ 27,842,171**	**$ 28,524,249**	**$ 77,948,243**	**$108,670,113**	**$131,120,609**	**$211,469,084**	**$111,330,748**
Adjustments:							
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
(Reversal of) impairment of royalty investments	(278,427)	—	(1,028,942)	—	9,880,791	—	3,246,178
Net change in unrealized depreciation of interest rate swap	3,490	8,423	5,528	150,506	152,517	285,417	169,146
Net change in unrealized (appreciation) depreciation of foreign exchange swaps	577,861	(646,926)	430,005	(269,087)	489,000	96,005	2,296,296
Adjusted EBITDA	**$ 15,582,868**	**$ 40,096,370**	**$ 66,282,388**	**$164,568,525**	**$200,703,029**	**$179,301,491**	**$ 95,743,586**

RMF 2 Co-Investment Fund Portfolio (RMF 2 Portfolio)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Reconciliation of royalty income to Total Cash Royalty Receipts:							
Royalty income	**$ 2,212,505**	**$11,033,530**	**$ 4,480,213**	**$27,809,365**	**$33,950,473**	**$ 42,192,815**	**$ 33,610,222**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Total Cash Royalty Receipts	**$ 1,640,998**	**$11,501,532**	**$ 6,205,708**	**$32,632,853**	**$43,391,751**	**$ 39,866,397**	**$ 31,000,504**
Reconciliation of net income and comprehensive income to Adjusted EBITDA:							
Net income and comprehensive income	**$ 1,735,310**	**$ 6,396,838**	**$ 2,083,032**	**$12,328,198**	**$14,114,663**	**$ 30,113,355**	**$ 24,126,042**
Amortization of royalty investments	312,562	3,492,111	1,754,693	9,908,028	13,174,658	12,104,291	9,412,405
EBITDA	**$ 2,047,872**	**$ 9,888,949**	**$ 3,837,725**	**$22,236,226**	**$27,289,321**	**$ 42,217,646**	**$ 33,538,447**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Adjusted EBITDA	**$ 1,476,365**	**$10,356,951**	**$ 5,563,220**	**$27,059,714**	**$36,730,599**	**$ 39,891,228**	**$ 30,928,729**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus includes historical financial statements for each of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. Management's discussion and analysis is provided for each of the relevant periods for each of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio at the end of this prospectus. See "Index to Financial Statements and Management's Discussion and Analysis".

USE OF PROCEEDS

The net proceeds of this offering are estimated to be approximately $ ● million ($ ● million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee payable in connection with this offering and the estimated expenses of this offering. The Underwriters' fee and the expenses of this offering will be paid out of the gross proceeds of this offering.

Concurrently with the completion of this offering, DRI Capital, certain of its personnel and certain current and former investors in the DRI Capital Funds and certain other investors will purchase an aggregate of ● units of the Trust by way of private placement at a price of $ ● per unit, resulting in total proceeds to us of $34,730,000. The purchase price per unit reflects a discount of $ ● to the Offering Price. This prospectus does not qualify the distribution of units sold pursuant to the concurrent private placement. Completion of the concurrent private placement is conditional upon the completion of this offering and this offering is conditional upon the completion of the concurrent private placement. The units issued pursuant to the concurrent private placement will be subject to hold periods or resale restrictions under applicable laws. The purchase of units pursuant to the concurrent private placement will not result in any of DRI Capital, its personnel or any insider of DRI Capital or the Trust becoming a "control person" of the Trust for the purposes of applicable Canadian securities laws.

We estimate that the combined gross proceeds from this offering (at an assumed Offering Price of $10.00 per unit) and the concurrent private placement will be approximately $400 million. We anticipate issuing approximately 40,100,000 units pursuant to this offering and the concurrent private placement (or approximately 45,600,000 units if the Over-Allotment Option is exercised in full).

Following the closing of this offering, we will use approximately $292.7 million of the net proceeds of this offering and the concurrent private placement to acquire the Seed Assets and related working capital from funds managed by DRI Capital through a series of steps which are summarized in "Organizational Structure". We will also assume certain outstanding securitization indebtedness associated with the Seed Assets of approximately $69.1 million as of January 15, 2021. See "Purchase Agreements and Liquidation of the Private Funds" and "Description of Indebtedness". We will use the remainder of the net proceeds of this offering, together with the net proceeds, if any, from the issuance of units by us on exercise of the Over-Allotment Option, to acquire royalties and for general purposes, which is not expected to include any repayment of indebtedness.

We have not entered into any definitive agreements for the acquisitions of royalties, other than the Seed Assets pursuant to the Closing Transactions described above under the heading, "Organizational Structure". However, consistent with our manager's past practices and in the normal course of its business, our manager is regularly engaged in the sourcing and evaluation of possible royalty acquisitions and at any time may be in various stages of discussions with respect to possible acquisitions of royalties from sellers. We have not specifically allocated any portion of the remaining net proceeds of this offering for purposes other than to acquire royalties. As such, any application of such net proceeds for working capital or other general purposes would be incidental and is currently unplanned, given the availability of funding from other sources, including our cash flows from operating activities.

DESCRIPTION OF EQUITY CAPITAL

The following describes material terms of our equity capital and declaration of trust. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of our declaration of trust. DRI Healthcare Trust was established as an unincorporated open-ended trust on October 21, 2020 under the laws of the Province of Ontario. From and after the closing of this offering, the Trust will be a "mutual fund trust" as defined in the Tax Act, but not a "mutual fund" within the meaning of applicable Canadian securities legislation.

Authorized Equity Capital upon Completion of this Offering

Upon the completion of this offering, our authorized equity capital will consist of: (i) an unlimited number of units, and (ii) an unlimited number of preferred units, issuable in series. Upon completion of this offering, an aggregate of ● units and no preferred units will be issued and outstanding. Issued and outstanding units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the unitholders.

Units

Each unit represents a proportionate undivided beneficial ownership interest in the Trust and in distributions made by the Trust, whether of net income, net capital gains or other amounts and, in the event of the termination or winding-up of the Trust, in its net assets remaining after the satisfaction of all its liabilities. Units are fully-paid and non-assessable when issued and are transferrable. The units rank among themselves equally and rateably without discrimination, preference or priority. Each unit entitles the holder thereof to one vote at all meetings of unitholders. The units are redeemable by the holder thereof, as described below under "Redemption Right" and the units have no other conversion, retraction, redemption or pre-emptive rights. Fractional units may be issued as a result of an act of the Trustees, but fractional units do not entitle the holders thereof to vote, except to the extent that such fractional units may represent in the aggregate one or more whole units.

The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of such act or any other legislation. The units are not shares in the Trust and, although the protections, rights and remedies set out in the declaration of trust are similar to those provided under the CBCA, unitholders do not have statutory rights of shareholders of a corporation including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the Trust, or the right to bring "oppression" or "derivative" actions. Furthermore, we are not a trust company and, accordingly, we are not registered under any trust and loan company legislation as we do not carry on nor intend to carry on the business of a trust company.

Preferred Units

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

Preferred units of each series, if and when issued, will, with respect to the payment of distributions, rank on a parity with the preferred units of every other series and be entitled to preference over our units and any other of our units ranking junior to the preferred units with respect to payment of distributions.

In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of preferred units will be entitled to preference with respect to distribution of our property or assets over our units and any other of our units ranking junior to the preferred units with respect to the repayment of capital paid up on and the payment of unpaid distributions accrued on the preferred units.

Unit Redemption Right

Units are redeemable at any time on demand by the holders thereof by sending a notice to the Trust at our head office in a form approved by our board of trustees and completed and executed in a manner satisfactory to our board of trustees, who may require supporting documentation as to identity, capacity or authority. A unitholder not otherwise

holding a fully registered unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice from his or her investment dealer or other intermediary who will be required to deliver the completed redemption form to the Trust. Upon receipt by us of a written redemption notice and other documents that may be required, all in a manner satisfactory to our board of trustees, a unitholder shall cease to have any rights with respect to the tendered units, including any right to receive any distributions thereon which are declared payable after receipt of the redemption notice by us, and the holder thereof shall be entitled to receive a price per unit (the "**Redemption Price**") equal to the lesser of:

(a) 90% of the "market price" of the units on the principal exchange or market on which the units are quoted for trading on the trading day prior to the day on which the units were surrendered to the Trust for redemption (the "**Redemption Date**"); and

(b) 100% of the "closing market price" of the Units on the principal exchange or market on which the units are quoted for trading on the Redemption Date.

For the purposes of this calculation, the "market price" in respect of units as at a specified date shall be an amount equal to the weighted average closing price of the units on the principal exchange or market on which the units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the units traded on a particular day, the "market price" as at a specified date will be an amount equal to the weighted average of the highest and lowest prices of the units on the principal exchange or market on which the units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the "market price" as at a specified date shall be an amount equal to the weighted average of the following prices established for each of the 10 trading days: (a) the weighted average of the last bid and last asking prices of the units for each day on which there was no trading; (b) the closing price of the units for each day on which there was trading if the exchange or market provides a closing price; and (c) the weighted average of the highest and lowest prices of units for each day that there was trading if the exchange or market does not provide a closing price but provides only the highest and lowest prices of units traded on a particular day.

The "closing market price" in respect of the units as at a specified date will be: (a) an amount equal to the closing price of units if there was a trade on the date and the exchange or market provides a closing price; (b) an amount equal to the weighted average of the highest and lowest prices of units if there was trading and the exchange or other market does not provide a closing price but provides only the highest and lowest trading prices of units traded on a particular day; or (c) the weighted average of the last bid and last asking price of units if there was no trading on the date.

The aggregate Redemption Price payable by us in respect of any units tendered for redemption during any calendar month will be satisfied by way of a cheque drawn on a Canadian chartered bank or a trust company in Canadian funds, payable no later than the last day of the calendar month following the month in which the units were tendered for redemption, provided that the entitlement of unitholders to receive cash upon the redemption of their units is subject to the limitations that:

(a) the total amount payable by us in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed $50,000, provided that our board of trustees may, in their sole discretion, waive such limitation in respect of all units tendered for redemption in any particular calendar month;

(b) at the time such units are tendered for redemption, the outstanding units shall be listed for trading or quoted on a stock exchange or market which our board of trustees consider, in their sole discretion, provides representative fair market value prices for the units; or

(c) the normal trading of outstanding units is not suspended or halted on any stock exchange on which the units of such series are listed (or, if not listed on a stock exchange, on any market on which the units of such series are quoted for trading) on the Redemption Date for the units of such series or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date for the units of such series.

If a unitholder is not entitled to receive cash upon the redemption of units as a result of the foregoing limitations in paragraphs (b) and (c) above, then each unit tendered for redemption shall, subject to obtaining all applicable

regulatory approvals, be redeemed by way of an issuance of debt obligations of the Trust or a subsidiary to the redeeming unitholder with an aggregate principal amount equal to the product of the Redemption Price per unit payable by us and the number of units tendered ("**Redemption Notes**").

If a unitholder is not entitled to receive cash upon the redemption of units as a result of the limitation in paragraph (a) above, the holder will receive a combination of cash and, subject to obtaining all applicable regulatory approvals, Redemption Notes, determined in accordance with our declaration of trust.

It is anticipated that the redemption right described above will not be the primary mechanism for unitholders to dispose of their units. Redemption Notes which may be issued to unitholders *in specie* in connection with a redemption will not be listed on any stock exchange, no market is expected to develop and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws.

Issuance of Units

We may allot and issue new units from time to time as our board of trustees determines, including for cash, through public offerings, through rights offerings to existing unitholders (i.e. in which unitholders receive rights to subscribe for new units in proportion to their existing holdings of units, which rights may be exercised or sold to other investors) or through private placements (i.e. offerings to specific investors which are not made generally available to the public or existing unitholders). In certain instances, we may issue new units as consideration for, or in connection with, the acquisition of new assets. The price or the value of the consideration for which new units may be issued will be determined by our board of trustees in their sole discretion. Units are generally issued in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of units.

It is expected that the cash distributed by the Trust in each year will be less than its net income for the purposes of the Tax Act for the year. In order to have the Trust's income allocated to the unitholders for the purposes of the Tax Act, the Trust will make distributions in the form of additional units to the unitholders, which may be immediately consolidated as described below. The aggregate amount of these distributions each year will be equal to the difference between the Trust's aggregate net income and net realized capital gains over the amount of cash distributed by the Trust during the year.

The declaration of trust also provides that immediately after any pro rata distribution of units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding units may be consolidated so that each unitholder holds, after the consolidation, the same number of units as the unitholder held before the non-cash distribution. In this case, each certificate representing a number of units prior to the non-cash distribution is deemed to represent the same number of units after the non-cash distribution and the consolidation. If amounts distributed represent income, non-resident unitholders may be subject to withholding tax and the consolidation may not result in such non-resident unitholders holding the same number of units. Such non-resident unitholders may be required to surrender the certificates (if any) representing their original units in exchange for a certificate representing post-consolidation units.

Purchase of Units

We may from time to time purchase for cancellation units at a price per unit and on a basis determined by our board of trustees in accordance with applicable securities legislation and the rules and policies of any applicable stock exchange.

Meetings of Unitholders

Our declaration of trust provides that meetings of unitholders must be called and held for the election or removal of trustees, the appointment or removal of our auditors, the approval of amendments to the declaration of trust (except as described below under "– Amendments to the Declaration of Trust and Other Documents"), the sale of our assets as an entirety or substantially as an entirety (other than as part of an internal reorganization of our assets as approved by our board of trustees), the termination of the Trust and for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually within 180 days after the end of the fiscal year for the election of the trustees and appointment of our auditors. All meetings of unitholders must be held in Canada.

The board of trustees has the power at any time to call special meetings of unitholders at any time and for any purpose. Unitholders holding in the aggregate not less than 5% of the outstanding units entitled to vote at such meeting

(on a fully diluted basis) may requisition the board of trustees in writing to call a special meeting of the unitholders and the board of trustees shall, subject to certain limitations, call a meeting of unitholders. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at meetings of unitholders either in person or by proxy and a proxyholder need not be a unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attaching to all outstanding units (on a fully diluted basis) shall constitute a quorum for the transaction of business at all such meetings. If no quorum is present at any meeting of unitholders within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the unitholders present either in person or by proxy will be deemed to constitute a quorum.

The declaration of trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of unitholders.

Pursuant to the declaration of trust, a resolution in writing executed by unitholders holding a proportion of the outstanding units equal to the proportion required to vote in favour thereof at a meeting of unitholders to approve that resolution is valid as if it had been passed at a meeting of unitholders.

Rights of Unitholders

The rights of the unitholders and the attributes of the units are established and governed by the declaration of trust. Although the declaration of trust confers upon a unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist, some of which are described below.

Many of the provisions of the CBCA respecting the governance and management of a corporation are incorporated in the declaration of trust. For example, unitholders are entitled to exercise voting rights in respect of their holdings of units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and the auditors of the Trust. The declaration of trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of unitholders and trustees, the procedures at such meetings and the right of the unitholders to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which approval by the unitholders is required under the declaration of trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the subsidiaries of the Trust. These approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or are listed on the TSX.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The declaration of trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The declaration of trust does not include a comparable right. Also, unlike shareholders of a corporation incorporated under the CBCA, unitholders do not have the right to make proposals in advance of a unitholder meeting about matters to be voted on at the unitholder meeting.

Take-Over Bids

The declaration of trust contains provisions to the effect that if a take-over bid, as defined under the *Securities Act* (Ontario), is made for the units and not less than 90% of the units (including units issuable upon the surrender or exchange of any securities for units but not including any units held at the date of the take-over bid by or on behalf of the offeror or affiliates and associates of the offeror) have been or are legally required to be taken up and paid for by the offeror, the offeror will be entitled to acquire the units held by the remaining unitholders who did not accept the take-over bid by requiring such unitholders to elect (a) to transfer their units to the offeror on the terms on which the offeror acquired the units of the offerees who accepted the take-over bid, or (b) to demand payment of the fair value of the units.

Information and Reports

We will furnish to unitholders, in accordance with and subject to applicable securities legislation, our consolidated financial statements (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including forms needed for the completion of unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each annual or any special meeting of unitholders, the trustees will provide unitholders (along with notice of such meeting) all such information as is required by applicable law and the declaration of trust to be provided to such holders.

Advance Notice Provisions

Our declaration of trust includes certain advance notice provisions with respect to the election of our trustees (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all our unitholders receive adequate notice of board nominations and sufficient information with respect to all nominees; and (iii) allow our unitholders to register an informed vote.

Except as otherwise provided in the declaration of trust, only persons who are nominated by unitholders in accordance with the Advance Notice Provision shall be eligible for election as trustees. Nominations of persons for election to the board of trustees may be made for any annual meeting of unitholders, or for any special meeting of unitholders if one of the purposes for which the special meeting was called was the election of trustees: (i) by or at the direction of the board of trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more unitholders pursuant to a requisition of the unitholders made in accordance with the declaration of trust; or (iii) by any person (a "**Nominating Unitholder**"): (a) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the Trust's register as a holder of one or more units carrying the right to vote at such meeting or who beneficially owns units that are entitled to be voted at such meeting; and (b) who complies with the notice procedures set forth in the Advance Notice Provisions.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the trustees.

To be timely, a Nominating Unitholder's notice to the trustees must be made: (i) in the case of an annual meeting of unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of unitholders is to be held on a date that is less than 50 days after the date that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the date on which the first public announcement of the date of the annual meeting of unitholders was made; and (ii) in the case of a special meeting (which is not also an annual meeting) of unitholders called for the purpose of electing trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the date on which the first public announcement of the date of the special meeting of unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the trustees must set forth: (i) as to each person whom the Nominating Unitholder proposes to nominate for election as a trustee: (a) the name, age, business address

and residential address of the person; (b) the principal occupation or employment of the person; (c) the number of units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (d) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of trustees pursuant to applicable securities laws; and (ii) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of trustees pursuant to applicable securities laws.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the board of trustees may, in its sole discretion, waive any requirement in the Advance Notice Provisions.

Forum Selection

We have included a forum selection provision in our declaration of trust that provides that, unless we consent in writing to the selection of an alternative forum, the Ontario Superior Court of Justice and the appellate courts therefrom, will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our trustees, officers, or other employees to us; (iii) any action or proceeding asserting a claim arising pursuant to any provision of our declaration of trust; or (iv) any action or proceeding asserting a claim otherwise related to the relationships among us, our affiliates and their respective unitholders, trustees, directors and/or officers, but excluding claims related to our business or such affiliates. The forum selection provision also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

Amendments to the Declaration of Trust and Other Documents

Our declaration of trust may be amended or altered from time to time. Certain amendments (including the termination of the Trust) require approval by at least 66 2/3% of the votes cast at a meeting of unitholders called for that purpose. Other amendments to the declaration of trust require approval by a majority of the votes cast at a meeting of unitholders called for that purpose.

The following amendments require the approval of at least 66 2/3% of the votes cast by unitholders at a meeting called for that purpose:

1. the sale of the property or assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Trust, including by way of the transfer of property or assets of the Trust or a subsidiary, as approved by the trustees and not prejudicial to unitholders);
2. the termination of the Trust by the unitholders;
3. an exchange, reclassification or cancellation of all or part of the units;
4. the addition, change or removal of the rights, privileges, restrictions or conditions attached to the units, including, without limiting the generality of the foregoing:
   (a) the removal or change of rights to distributions attached to the units; or
   (b) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights attached to the units;
5. the addition, change or removal of the rights, privileges restrictions or conditions attaching to the units;
6. any constraints on the issue, transfer or ownership of the units or the change or removal of such constraint; and

7. the combination, amalgamation, or arrangement of any of the Trust or any of its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the Trust, including by way of the transfer of property or assets of the Trust or a subsidiary, as approved by the trustees and not prejudicial to unitholders).

Notwithstanding the foregoing, a majority of the trustees may, without the approval of the unitholders, make certain amendments to the declaration of trust, including amendments:

1. aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (a) the trustees or the Trust; (b) the continuing status of the Trust as a "mutual fund trust"; or (c) the distribution of units;
2. which, in the opinion of the trustees, provide additional protection for the unitholders;
3. to remove any conflicts or inconsistencies in the declaration of trust or to make minor corrections which are, in the opinion of the trustees, necessary or desirable and not prejudicial to the unitholders;
4. which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the declaration of trust;
5. of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the trustees, are necessary or desirable and not prejudicial to the unitholders;
6. which, in the opinion of the trustees, are necessary or desirable: (a) to ensure continuing compliance with IFRS; or (b) to ensure the units are classified as equity for purposes of IFRS; (vii) which, in the opinion of the trustees, are necessary or desirable to enable the Trust to implement a unit option or purchase plan or issue units for which the purchase price is payable in instalments;
7. which, in the opinion of the trustees, are necessary or desirable for the Trust to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, or to otherwise prevent the Trust or any of its subsidiaries from becoming subject to tax under the SIFT Rules;
8. to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable, redeemable, exercisable or convertible for units entitling the holder thereof to a number of votes not exceeding the number of units into which the exchangeable shares, units or other securities are exchangeable, redeemable, exercisable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the Trust's property or income other than a return of capital; and
9. for any purpose (except one in respect of which a unitholder vote is specifically otherwise required) which, in the opinion of the trustees, is not prejudicial to unitholders and is necessary or desirable.

Effect of Termination

The Trust will continue in full force and effect until such time as it is terminated by either the trustees or unitholders. The Trust may be terminated by the vote of at least at least 66 2/3% of the votes cast at a meeting of the unitholders called for that purpose. The unitholders shall participate pro rata in any remaining distributions by the Trust.

DISTRIBUTION POLICY

You should read the following discussion of our distribution policy in conjunction with the factors and assumptions included in this section. In addition, please read "Forward-Looking Information" and "Risk Factors" for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in our business.

General

We have not declared or paid any distributions since the formation of the Trust and will not declare or pay any distributions prior to the completion of this offering. We anticipate paying cash distributions equal to approximately

20% to 30% of our available cash generated on an annual basis, which we define as cash generated from operating activities, less interest paid, debt repayment obligations on our securitization indebtedness and debt issuance costs. We currently intend to pay such cash distributions in the form of four quarterly cash distributions and one additional special cash distribution.

Assuming that ● units are outstanding after this offering, we anticipate that the amount of our quarterly cash distributions initially will be $ ● per unit. Our first cash distribution, which will be for the period from and including the Closing Date to March 31, 2021, is expected to be paid on or about April 20, 2021 to unitholders of record on March 31, 2021 and is estimated to be $ ● per unit.

Distributions in respect of a quarter will be paid on or about each distribution date to unitholders of record as at the close of business on the corresponding distribution record date. We generally expect the distribution for any quarter to be paid to unitholders of record at the close of business on the last day of the quarter, with such distribution to be paid on or about the 20th day of the following month. The additional special cash distribution is anticipated to be paid on or about January 20 to unitholders of record at the close of business on December 31 in each year. If the distribution date does not fall on a business day, we will pay the distribution on the business day immediately following the indicated distribution date.

We are not required to pay any distributions, and the payment of any distribution is within the sole discretion of our board of trustees. It is expected that all of the Trust's income will effectively be allocated to its unitholders, which will only generally be taxable in the hands of Canadian-resident unitholders that are taxable under the Tax Act. We intend to distribute a significant portion of our cash flow from operations to our unitholders, such that our Canadian-resident taxable unitholders would generally receive annual cash distributions (in the form of four quarterly cash distributions and one additional special cash distribution) from us sufficient to cover their respective Canadian income tax liability under the Tax Act, but there can be no assurance in this regard.

Our ability to pay distributions at the expected quarterly distribution rate or any other rate will be subject to the factors described below under "—Restrictions and Limitations on Distributions and Our Ability to Change Our Distribution Policy" and the risks described under "Risk Factors."

Restrictions and Limitations on Distributions and Our Ability to Change Our Distribution Policy

Notwithstanding the foregoing, the approval and payment of any distributions will be at the sole discretion of our board of trustees, which may change our distribution policy at any time. Our board of trustees will take into account:

- general economic and business conditions;
- our financial condition and operating results, including our cash position, our net income and our realizations on assets;
- our strategic plans and prospects;
- our business and asset acquisition opportunities;
- working capital requirements and anticipated cash needs;
- contractual restrictions and obligations;
- legal, tax and regulatory restrictions and considerations;
- other constraints on the payment of distributions by us to our unitholders; and
- such other factors as our board of trustees may deem relevant.

There is no guarantee that our unitholders will receive quarterly or other distributions from us. We do not have a legal obligation to pay the expected quarterly distributions or other distributions at any rate or at all. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

- Our ability to pay distributions may be subject to restrictions on dividends under debt agreements that we will acquire that we may enter into in the future. Should we be unable to satisfy these restrictions, we would be prohibited from declaring distributions to our unitholders. For instance, we will acquire securitization indebtedness in the form of the senior secured notes of Drug Royalty III LP 1. However, we do not believe that the securitization indebtedness will adversely affect our ability to pay distributions as currently contemplated. See "Description of Indebtedness".

- Our board of trustees will have the authority, in its sole discretion, to establish reserves for the prudent conduct of our business and for future distributions to our unitholders, and the establishment of or increase in those reserves could result in a reduction in distributions to our unitholders from levels we currently anticipate under our stated distribution policy.
- Prior to determining the amount of cash available for distribution, we will pay our manager the Management Fees and the Performance Fees and reimburse our manager and its affiliates for any expenses as described under "Agreements with our Manager – Management Agreement." The reimbursement of expenses and payment of fees, if any, to our manager and its affiliates will reduce the amount of cash available to pay distributions to our unitholders.
- The amount of distributions we pay under our distribution policy and the decision to approve any distribution is determined by our board of trustees, taking into consideration the terms of our existing contractual obligations any other agreements we may enter into in the future and the factors set forth above.
- We may lack sufficient cash to pay distributions to our unitholders due to a number of factors, including increases in our general and administrative expenses, principal and interest payments on our outstanding debt, tax expenses, working capital requirements and anticipated cash needs. For a discussion of additional factors that may affect our ability to pay distributions, please read "Risk Factors."
- If and to the extent our cash available to pay distributions materially declines, we may reduce our quarterly distribution in order to service or repay our debt or fund growth capital expenditures.
- Our ability to pay distributions to our unitholders depends on the performance of the assets held by our subsidiaries and their ability to distribute cash to us. The ability of our subsidiaries to pay dividends to us may be restricted by, among other things, the provisions of existing and future indebtedness, including the securitization indebtedness of Drug Royalty III LP 1, applicable corporate, partnership and trust laws and other laws and regulations.

In addition, on December 31 of each year, having regard to the present intention of our board of trustees, we intend to make payable to such unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non-capital losses recognized on or before the end of such year such that we will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or about the following January 20 and a portion of this payment, above the cash distributions paid in the year, are expected to be paid in units.

It is expected that the cash distributed by the Trust in each year will be less than its net income for the purposes of the Tax Act for the year. In order to have the Trust's income allocated to the unitholders for the purposes of the Tax Act, the Trust will make distributions in the form of additional units to the unitholders, which may be immediately consolidated as described below. The aggregate amount of these distributions each year will be equal to the difference between the Trust's aggregate net income and net realized capital gains over the amount of cash distributed by the Trust during the year.

Unless our board of trustees determine otherwise, immediately after any pro rata distribution of additional units to unitholders, the number of outstanding units will automatically be consolidated such that each of such holders will hold after the consolidation the same number of units as such holder held before the distribution of additional units. Each unit certificate representing the number of units prior to the distribution of additional units will be deemed to represent the same number of units after the non-cash distribution of additional units and the consolidation.

Notwithstanding the foregoing, where tax is required to be withheld from a unitholder's share of a distribution paid by way of additional units, the consolidation will result in such unitholder holding that number of units equal to: (i) the number of units held by such unitholder prior to the distribution plus the number of units received by such unitholder in connection with the distribution (net of the number of whole and part units withheld on account of withholding taxes) multiplied by (ii) the fraction obtained by dividing the aggregate number of units outstanding prior to the distribution by the aggregate number of units that would be outstanding following the distribution and before the consolidation if no withholding tax were required in respect of any part of the distribution payable to any unitholder. Such unitholder will be required to surrender the unit certificates, if any, representing such unitholder's original units, in exchange for a unit certificate representing such unitholder's post-consolidation units.

AGREEMENTS WITH OUR MANAGER

Management Agreement

We have no employees of our own. Under the management agreement, our manager will provide certain services to us.

Executive Officers

Our manager will provide us with the services of executive officers of the Trust where required or desirable for the purposes of compliance with applicable securities laws and the services of officers or directors of any of our subsidiaries. For information about our trustees and executive officers, see "Trustees and Executive Officers."

None of our manager's management professionals will receive any direct compensation from us, except to the extent that we decide to provide grants under our omnibus equity incentive plan. Rather, we will pay the Management Fees, Performance Fees and expenses as described below.

Management Fees

Under the management agreement, we will pay a quarterly management fee (collectively, "**Management Fees**") to our manager or its affiliates equal to 6.5% of the cash royalty receipts for such quarter and 0.25% of the IFRS mark-to-market value of security investments, including equity securities and related derivative financial instruments, as of the end of such quarter, which our manager is entitled to receive regardless of whether we realize any gains on the security investments when sold.

Under the management agreement, Management Fees will be payable quarterly in advance as of the first business day of each fiscal quarter based on the estimated projected cash receipts from royalty investments and the estimated projected security investment values as of such date. Our manager will recalculate the Management Fees based on the actual cash receipts from royalty investments and the actual security investment values following the date on which the Trust's financial statements are finalized. If it is determined based on such recalculation that: (i) the finalized Management Fees exceeded prior payments of the Management Fees, we will pay to the Manager any shortfall on or prior to the next date the Management Fees is due, or (ii) prior payments of the Management Fee exceeded the finalized Management Fees, such excess will be repaid by the Manager to us on or prior to the next date the Management Fees are due.

The Management Fees are intended to fund the operating and personnel expenses of our manager. However, the Management Fees payable to our manager are based on a fixed percentage of cash receipts from royalty investments and security investment values and will not be subject to subsequent adjustment based on the actual operating and personnel expenses of our manager and its affiliates.

Performance Fees

We will pay our manager performance fees ("**Performance Fees**") determined on a portfolio-by-portfolio basis. Investments made during each two-year period will be grouped together as separate portfolios (each, a "**Portfolio**"). Performance Fees will not be payable in respect of the Seed Assets. The first Portfolio will commence upon our acquisition of a royalty asset (other than the Seed Assets).

Subject to the three conditions listed below, at the end of each fiscal quarter, our manager will be entitled to Performance Fees, which shall be determined for each Portfolio equal to 20% of the Net Economic Profit (defined as the aggregate cash receipts for all new portfolio investments in such Portfolio less Total Expenses (defined as interest expense, operating expense and recovery of acquisition cost in respect of such Portfolio)) for such Portfolio for the applicable measuring period.

The payment of any Performance Fees to our manager will be subject to each of the following three conditions:

Condition One: Cumulative Net Economic Profit (defined as the difference between the aggregate cash receipts for all new portfolio investments in such Portfolio from the date of acquisition less Total Expenses from the date of

acquisition) for such Portfolio for all periods prior to the relevant quarterly determination date is positive. Cumulative Net Economic Profit is positive if the aggregate cash receipts for all investments in a Portfolio for all prior periods is greater than the Total Expenses allocated to such for all prior periods.

Condition Two: The aggregate projected cash receipts for all investments in such Portfolio for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected Total Expenses for all investments in such Portfolio through the expected termination dates of all investments in such Portfolio.

Condition Three: The aggregate projected cash receipts for all investments in all Portfolios, for all periods commencing after such quarterly determination date are equal to or greater than 135% of the projected Total Expenses for all of the Portfolios through the termination or disposition dates of all investments in all of the Portfolios.

Performance Fees are structured on a portfolio-by-portfolio basis, with portfolios based on two-year periods (except for the first Portfolio), to mitigate the risk that Performance Fees are paid on a profitable investment even though, in the aggregate, the investments made over a two year period are not profitable. The three conditions above are also intended to reduce the risk that Performance Fees are payable at a time when our portfolio of investments is not performing well overall.

Pursuant to the management agreement, our manager may, subject to obtaining any applicable regulatory approval, elect to have us pay Performance Fees by issuing new units instead of paying cash. In such case, our units will be issued at the market price, which will be the volume-weighted average trading price of the units for the five trading days prior to the third to last business day of the fiscal quarter preceding the payment date for the Performance Fees. Our manager may make such election in respect of any payment date for Performance Fees. If our manager does not make such election prior to the 10th day of the last month in the fiscal quarter preceding the payment date for the Performance Fees, our manager will be deemed to have elected to have us pay Performance Fees in cash for that payment date.

We will not issue any units to DRI Capital in payment of performance fees pursuant to the terms of the management agreement, other than pursuant to our omnibus equity incentive plan, unless we obtain disinterested unitholder approval at a meeting of unitholders as required by the TSX. We would seek disinterested unitholder approval in the future should we determine to satisfy the payment of any performance fees in units outside of our omnibus equity incentive plan. We currently expect that our omnibus equity incentive plan would be used to grant equity entitlements to eligible individual participants, rather than to DRI Capital in payment of performance fees.

Expenses

We will bear and be charged with the reasonable costs and expenses of our operations (and will promptly reimburse our manager or its affiliates to the extent that any of such costs and expenses are paid by our manager or its affiliates), whether arising prior to or following the Closing Date, including broken deal expenses, to the extent not: (i) reimbursed by an entity in which we have invested or propose to invest or other third parties, and (ii) directly attributable to preliminary deal-sourcing and identification activities of our manager.

Conflicts of Interest and Other Restrictions

Without the consent of a majority of our independent trustees ("**Independent Trustee Consent**"), our manager will not be permitted to manage other funds, investment vehicles or accounts that invest in or acquire royalties in respect of late stage or approved products, other than us and our manager's legacy investment funds that are no longer in their investment periods, including Drug Royalty II CIF; provided, however, that our manager will be permitted to manage a fund, investment vehicle or account that: (i) invests in or acquires an investment opportunity that is presented to and rejected by a majority of our independent trustees, or (ii) co-invests in any royalties alongside us.

Apart from transactions the terms of which are contemplated or expressly permitted by our management agreement or our declaration of trust, our manager and its affiliates will not engage in any transaction with us unless the terms of the transaction are on an arm's-length basis and on terms which are no less favorable to us than would be obtained in a transaction with an unaffiliated party. The terms of any transaction approved by a majority of our independent trustees will be deemed to be on an arm's-length basis.

Without Independent Trustee Consent, our manager and its affiliates will not acquire investments from, nor sell investments to, us if our manager or an affiliate holds a "material investment" (described below) in or is in a position of control over such investments. For this purpose, a "material investment" in a person means the ownership (other than through blind pools or publicly traded securities) of over $5 million of the debt and/or equity securities of such entity, determined prior to giving effect to the contemplated transaction. Notwithstanding the foregoing, with Independent Trustee Consent, we may buy and sell investments, directly or indirectly, from and to, as the case may be, any investment vehicle managed by our manager or its affiliates, provided that we have obtained an opinion from an independent, nationally-recognized investment bank or valuation firm that, subject to the factors and assumptions set forth therein, the price to be paid by or to us for such investment is fair, from a financial point of view, to us.

For the purposes of the foregoing, each of the following will be deemed an affiliate of our manager: (i) any affiliate of our manager, (ii) any principal, officer, director or non-administrative employee of our manager for so long as such person holds such status, (iii) any direct or indirect recipient of the Performance Fee for so long as such recipient remains a principal, officer, director or non-administrative employee of our manager, and (iv) any shareholder of our manager (in each case excluding a holder of a purely passive economic interest representing the entitlement to 10% or less of such person's profits).

Standard of Care

The management agreement requires our manager to perform its obligations under the management agreement with such skill and care as would be reasonably expected of a professional investment manager managing in good faith an entity of comparable size and complexity to us and having a materially similar investment objective. In addition, our manager will be required to ensure that its obligations under the management agreement are performed by a team of appropriately qualified, trained and experienced professionals and that the executives of our manager devote such of their business time to the management of our business as shall be necessary to ensure that DRI Capital is able to perform its obligations under the management agreement.

Sub-Advisory Services

DRI Capital currently has a subsidiary in the United States, DRI Capital (US) Inc. ("**DRI US**"), and may in the future have other subsidiaries. DRI Capital, and indirectly the Trust, is expected to benefit from the expertise and capacities of personnel of DRI US. In particular, subject to compliance with applicable regulatory requirements, DRI US is expected to serve as sub-adviser to our manager in respect of the services provided by our manger to us. Prior to the Registration Effective Date, personnel of DRI US may be called upon by our manager to provide certain limited support functions. After the Registration Effective Date, DRI US is expected to receive a portion of the Management Fee in consideration for any sub-advisory services provided.

Duration and Termination

The management agreement will be approved by our board of trustees prior to the closing of this offering. The management agreement will have an initial term of 10 years ending on December 31, 2030 and will have successive automatic renewal terms of one year thereafter until the dissolution of the Trust**,** unless terminated by our manager or us on at least 180 days' prior written notice to the other party prior to the expiration of the initial term or any renewal term in the circumstances described in the two following paragraphs. We and our manager will meet to discuss renewal at least one year prior to the expiration of the initial term and at least 180 days' prior to the expiration of any renewal term.

During the initial term and each renewal term, the management agreement may only be terminated by us for Cause (as defined below). We will have the right to terminate our manager following: (i) a determination of Cause by a court or governmental body of competent jurisdiction in a final judgement, or (ii) an admission of Cause by our manager.

At any time, our manager will have the right, upon 180 days' prior written notice, to resign as manager and terminate the management agreement for any reason; provided, however, that our manager will not terminate the management agreement during the initial term.

On the termination of the management agreement: (i) our manager will be entitled to receive all fees, including Management Fees, Performance Fees, and other moneys accrued and due up to the date of such termination but will not be entitled to compensation in respect of such termination, (ii) except in the case of termination of the management agreement by us for Cause, our manager will be entitled to receive Performance Fees in respect of investments held, directly or indirectly, by us as of the date of such termination, and (iii) our manager will forthwith deliver to us all correspondence and records of all and every description relating to our affairs which are in our manager's possession or under our manager's control.

"**Cause**" will exist where: (i) our manager defaults in the performance or observance of any material term, condition or covenant contained in the management agreement that results in a material harm to us and such default continues for a period of 60 days after written notice thereof by us to our manager specifying such default and requesting that the same be remedied in such 60-day period, (ii) our manager engages in any act of fraud, misappropriation of funds or embezzlement against us and such act results in material harm to us, (iii) our manager is grossly negligent in the performance of its duties under the management agreement and such gross negligence results in material harm to us, or (iv) our manager makes a general assignment for the benefit of its creditors, institutes proceedings to be adjudicated voluntarily bankrupt, consents to the filing of a petition of bankruptcy against it, is adjudicated by a court of competent jurisdiction as being bankrupt or insolvent, seeks reorganization under any bankruptcy or insolvency law or consents to the filing of a petition seeking such reorganization or has a decree entered against it by a court of competent jurisdiction appointing a receiver, liquidator, trustee or assignee in bankruptcy or insolvency.

Indemnification

The management agreement provides that, to the fullest extent permitted by law, we will indemnify and hold harmless our manager and its members, officers, directors, employees, stockholders, shareholders, partners, consultants or advisors (collectively, the **"Indemnified Parties**") from and against any and all damages, losses and expenses that are incurred by any Indemnified Party and arise out of or in connection with our affairs, including acting as a director or the equivalent of the Trust or any of our subsidiaries or entity in which an investment is made, or the performance by such Indemnified Party of any of the services or other functions arising out of or in connection with the management agreement, or otherwise in connection with the matters contemplated in the management agreement other than as a result of: (i) losses arising from such Indemnified Party's act or omission of our manager to the extent our manager's performance thereof was grossly negligent or constituted willful misconduct, (ii) economic losses incurred by any Indemnified Party as a result of the ownership of an interest in the Trust or investments, (iii) the expenses that the members of our manager are obligated or elect to pay, (iv) our expenses that an Indemnified Party has agreed to pay without a right to reimbursement, or (v) disputes exclusively between and among the Indemnified Parties, or (vi) a violation of any applicable laws and regulations by any Indemnified Party. Expenses reasonably incurred by any Indemnified Party in defending an action, suit or proceeding will be paid by us in advance of the final disposition of such action, suit or proceeding, provided that the Indemnified Party undertakes to repay such amount if it is ultimately determined that such person was not entitled to be indemnified. The satisfaction of any indemnification and any holding harmless will be from and limited to Trust assets, and none of our trustees or unitholders will have any personal liability on account thereof.

DESCRIPTION OF INDEBTEDNESS

Immediately following the closing of this offering and the Closing Transactions, we will have no credit facilities or debt securities issued to third parties, other than certain securitization indebtedness in the form of senior secured notes issued by our subsidiary, Drug Royalty III LP 1, which is a 100%-owned subsidiary of Drug Royalty III LP 2. See "Organizational Structure – Organizational Structure Following this Offering" for a diagram showing the location of our subsidiary, Drug Royalty III LP 2, in our organizational structure. All of our securitization indebtedness was issued on a private placement basis and not pursuant to a prospectus filed in any jurisdiction.

Historically, Drug Royalty I and Drug Royalty III have used securitization as a source of debt capital. Securitization refers to the process of selling assets (in our case, interests in certain of our royalties) to another entity (in the case of Drug Royalty III, Drug Royalty III LP 1) which issues debt securities, the payments on which are funded by the cash generated by our royalties. Securitization allows us to access cost-effective sources of funding backed by

payments on our royalties. We may use the cash generated by securitization as a form of leverage and to, among other things, fund the acquisition of additional royalties.

In these securitization transactions, Drug Royalty III LP 2 acts as the originator of the assets and DRI Capital acts as the servicer of the assets. The DRI Capital Funds recognize securitized debt in the consolidated financial statements as senior secured notes payable and the cash held as restricted cash. The secured notes payable are reported on the consolidated statements of financial position, net of deferred charges, in accordance with IFRS. The Seed Assets to be held by our subsidiary, Drug Royalty III LP 2, serve as collateral for our outstanding securitization indebtedness. Total current and non-current securitization indebtedness had a net book value of $97.5 million as of September 30, 2020. These secured notes payable will remain outstanding and continue to secure those Seed Assets following closing of this offering and the Closing Transactions. Principal payments on the notes are made quarterly following a prescribed formula and in a stated order of priority, after the deduction of allowable expenses including interest, from the cash received from the royalties held by Drug Royalty III LP 1. If these payments are not made, Drug Royalty III LP 1 will be restricted from making cash distributions and other payments. After the applicable payments are made, any remaining cash held by Drug Royalty III LP 1 becomes unrestricted and may be distributed to its equity holders. Principal and other payments pursuant to the terms of the senior secured notes are generally made on January 15, April 15, July 15 and October 15 in each year. The rate of interest on the Series 2017-1 Class A-1 senior secured notes and Series 2018-1 Class A-1 senior secured notes is calculated with reference to the London Interbank Offered Rate (LIBOR). LIBOR is expected to be discontinued as of December 31, 2021. The indenture governing these notes provides for the automatic use of a new market standard floating rate benchmark once LIBOR ceases to be published.

The terms of the notes require accelerated payments in certain events and also allow for voluntary prepayments under certain circumstances. As a result, our leverage resulting from these notes being outstanding will reduce over time until the remaining principal amount is refinanced or reduced to zero. See note 5 to the audited consolidated financial statements of Drug Royalty III, L.P. for the years ended December 31, 2019, 2018 and 2017 for the expected principal repayment schedule for the outstanding senior secured notes.

The following table outlines the principal payable and net book value of securitization indebtedness in the form of senior secured notes that was outstanding as of September 30, 2020.

Amount as at September 30, 2020	Series	Final Maturity Date	Annual Interest Rate	Ratings (S&P/KBRA)
$16,147,347	Series 2017-1 Class A-1	April 15, 2027	3-month LIBOR +2.50%	BBB(sf)
$16,147,347	Series 2017-1 Class A-2	April 15, 2027	3.600%	BBB(sf)
$31,144,268	Series 2018-1 Class A-1	October 15, 2031	3-month LIBOR +1.60%	BBB(sf)
$35,120,133	Series 2018-1 Class A-2	October 15, 2031	4.27%	BBB(sf)
$98,559,095	Total principal payable			
($1,063,468)	Deferred financing fees			
$97,495,627	Net book value			

On October 15, 2020 and January 15, 2021, principal repayments were made on the securitization indebtedness in the amounts of $10,453,465 and $18,181,925 respectively. In addition, deferred financing fees were reduced by $241,105 to $822,363 as of January 15, 2021. As such, the net book value of the securitization indebtedness as of January 15, 2021 was $69,101,342.

Pursuant to the terms of the indentures governing the senior secured notes, we are required to maintain certain deposits in the name of the indenture trustee for the benefit of secured parties for the payment of interest (which we refer to as the "reserve account") as well as an amount on deposit to be utilized to make any required contingent payments for royalty and/or equity assets (which we refer to as the "contingency reserve account"). The amount deposited in the reserve account is equal to the greater of: (i) $1 million or (ii) the product of: (A) the current interest due on all series of notes up to the current payment date, and (B) a fraction, the numerator of which is 180 and the denominator of which is the actual number of days in the related collection period. The amount deposited in the contingency reserve account will be the sum of contingent payments the servicer reasonably expects to become due on royalty asset or equity asset obligations. Restricted cash includes cash and cash equivalents, which represent short-term

highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, and are carried at fair value.

We do not believe that any obligations in respect of the securitization indebtedness of our subsidiary, Drug Royalty III LP 1, will adversely affect our ability to pay distributions to unitholders as currently contemplated. See "Distribution Policy".

CONSOLIDATED CAPITALIZATION

The following table sets forth our consolidated capitalization as at December 31, 2020 on an actual basis and on a pro forma as adjusted basis to give effect to this offering, the concurrent private placement and the Closing Transactions.

This table should be read in conjunction with historical financial statements and related notes included elsewhere in this prospectus, and the information set forth under "Selected Pro Forma and Historical Financial Information and Other Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Equity Capital".

	As at December 31, 2020	
	Actual	After giving effect to this offering, the concurrent private placement and the Closing Transactions
Cash and cash equivalents	**$ 10**	**$ 97,008,632**
Debt		
Secured notes payable	—	$ 69,101,342[3]
Unitholders' equity (deficit)		
Issued unit capital[1]	$ 10	$400,000,000
Total unitholders' equity (deficit)	($352)	$378,242,834[4]
Total capitalization	**$ 10**	**$447,344,176**

Notes:

(1) The Trust was originally settled on October 21, 2020 and issued one unit for $10.00 in cash. This initial unit will be redeemed and cancelled following the completion of this offering. Pursuant to this offering and the concurrent private placement, ● units will be issued for $● and $●, respectively, in cash per unit.

(2) Represents cash and cash equivalent holdings as of January 15, 2021 of the Trust, Fund I, DR III LP and the RMF 2 Portfolio. Represents: (a) the combined cash and cash equivalents of such entities of $2,094,118 as of September 30, 2020, plus (b) the gross proceeds from this offering and the concurrent private placement of $400,000,000, less (c) the Underwriters' fee and the expenses of this offering, estimated to be $21,756,814, less (d) $292,669,843 of the proceeds of this offering, which will be used to indirectly acquire the Seed Assets and related working capital, less (e) $215,867 to reflect the change in fair value of cash at December 31, 2020, less (f) elimination of $29,872 in cash as in accordance with the purchase and sale agreement, as part of the Closing Transactions, the Trust will only be acquiring the royalty investments and related royalties receivable from the RMF 2 Portfolio and will not be acquiring any working capital as part of the Closing Transactions, less (g) $99,910 related to cash used for operating activities from January 1, 2021 to January 15, 2021, and plus (h) $9,686,820 in cash available for operations after payment of principal, interest and expenses for the securitized indebtedness from Funds held in Trust on January 15, 2021.

(3) Represents net book value of securitization indebtedness as of January 15, 2021 to be assumed pursuant to the Closing Transactions. In connection with the Closing Transactions, we will assume certain securitization indebtedness associated with the Seed Assets. As of September 30, 2020, the total current and non-current securitization indebtedness had a total principal amount of $98,559,095 and a net book value (being the principal amount net of deferred financing fees) of $97,495,627. On October 15, 2020 and January 15, 2021, principal repayments were made on the securitization indebtedness in the amounts of $10,453,465 and $18,181,925 respectively. In addition, at September 30, 2020, the net book value of securitization indebtedness included $1,063,468 of deferred financing fees which were reduced by $241,105 to $822,363 as of January 15, 2021.

(4) Represents Total equity as shown on the pro forma consolidated financial statements of the Trust as at September 30, 2020.

OPTIONS TO PURCHASE SECURITIES

There are currently no options that will become options to acquire our units, whether under any equity compensation plan or otherwise. In connection with this offering, we are adopting an omnibus equity incentive plan in order to have the ability to grant in the future equity compensation to our executive officers and trustees, to personnel of our manager and to other eligible participants. No such entitlements are currently outstanding or will be outstanding as of the closing of this offering and the Closing Transactions.

For a description of our omnibus equity incentive plan, see "Executive Compensation".

PRIOR SALES

During the 12-month period preceding the date of this prospectus, the only issuance of units or securities convertible or exchangeable into units was the issuance, on October 21, 2020, of one unit of the Trust for $10 in cash in connection with the establishment of the Trust.

TRUSTEES, EXECUTIVE OFFICERS AND OTHER PERSONNEL

The following table sets forth certain information regarding our trustees and executive officers:

Name, Province or State and Country of Residence	Position/Title	Independent Trustee[3]	Principal Occupation
Gary M. Collins[1][2] ..... *British Columbia, Canada*	Trustee (Chair) (Appointed on January 22, 2021)	Yes	Corporate director
Ali Hedayat ..... *Ontario, Canada*	Trustee (Appointed on January 22, 2021)	No	Managing Director of Maryana Capital
Behzad Khosrowshahi ..... *Ontario, Canada*	Chief Executive Officer and Trustee (Appointed as a trustee on October 21, 2020)	No	Chief Executive Officer of our Manager
Kevin Layden ..... *British Columbia, Canada*	Trustee (Appointed on January 22, 2021)	No	President and Chief Executive Officer of Wesbild Holdings Ltd.
Paul Mussenden[2] ..... *United Kingdom*	Trustee (Appointed on January 22, 2021)	Yes	Corporate Director
Sandra Stuart[1] ..... *British Columbia, Canada*	Trustee (Appointed on January 22, 2021)	Yes	Corporate director
Tamara Vrooman[1][2] ..... *British Columba, Canada*	Trustee (Appointed on January 22, 2021)	Yes	President and Chief Executive Officer of Vancouver Airport Authority
Chris Anastasopoulos ..... *Ontario, Canada*	Chief Financial Officer		Chief Financial Officer of our Manager

Notes:

(1) Member of our Audit Committee.

(2) Member of our Governance, Compensation and Nominating Committee.

(3) Independent trustee for the purposes of National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**") of the Canadian Securities Administrators. See "—Corporate Governance – Trustee Independence".

Biographical Information Regarding Our Trustees and Executive Officers

Gary Collins, *Chairman*

Gary Collins is a seasoned corporate director with a diversified professional background including leadership roles within multiple industry sectors and senior government positions. Most recently, he was a Senior Adviser at Lazard Canada Inc., a premier independent financial advisory and asset management firm. Prior to that, he was the President of Coastal Contacts Inc., the world's leading online direct-to-customer retailer of replacement contact lenses and eyeglasses, until it was purchased by Essilor International in 2014. He has also held executive leadership roles with Belkorp Industries Inc., and Harmony Airways. From October 1991 to December 2004, Mr. Collins was a member of the British Columbia Legislative Assembly and held the portfolio of Minister of Finance from June 2001 to December 2004.

He currently serves on the boards of Chorus Aviation Inc., Rogers Sugar Inc., and Fiera Capital Corporation. His governance experience also includes board of director roles with Stuart Olson Construction Services, Liquor Stores of North America (now Alcanna Inc.), D-Box Technologies Inc., and Catalyst Paper Corporation.

Ali Hedayat, *Trustee*

Ali Hedayat is an entrepreneurial leader with over 20 years of investment banking experience spanning European, North American and Latin American markets. He is the founder and has been Managing Director of Maryana Capital in Toronto, Canada since March 2015. Prior to that, he was in the United Kingdom, where he co-founded Edoma Capital and was a Partner at Indus Capital. He started his career with Goldman Sachs, holding progressively senior roles over nearly 13 years, including Managing Director, and later, Co-Head of the Americas Principal Strategies Group.

Mr. Hedayat is a director and the Chair of the Audit Committee of Restaurant Brands International, one of the world's leading quick service franchisors, and is an advisory board member of McGill University's Desautels Faculty of Management. He also served on the boards of former public companies, Crius Energy LLC and US Geothermal, Inc., as well as on the boards of several charities.

Behzad Khosrowshahi, CPA, *Trustee and Chief Executive Officer*

Behzad Khosrowshahi is a leading healthcare investment professional with over 22 years of experience.

Mr. Khosrowshahi is Chief Executive Officer of DRI Capital, a role he has held since transforming the company following the going-private acquisition of Drug Royalty Corporation in 2002. Since that time, he has assembled a highly specialized team and overseen the evolution of DRI Capital's capital strategy, executing the transition to the fund structure and increasing the aggregate deployed capital for the DRI Capital Funds to more than $2 billion. He was responsible for attracting significant capital for DRI Capital's first managed fund and led fundraising efforts for all other DRI Capital Funds. He also developed and led DRI Capital's efforts to access debt through the asset-backed securities market, executing DRI Capital's first securitization of royalties in 2005. Mr. Khosrowshahi leads the sourcing and identification functions at DRI Capital, where he has been responsible for the majority of the deals sourced since 2002. Prior to joining DRI Capital, he held increasingly senior positions at Future Shop Ltd., including heading the national chain's merchandising, marketing, e-commerce and supply chain functions as Executive Vice President. He was with Future Shop from 1995 until it was sold to Best Buy for $580 million in 2001. Mr. Khosrowshahi began his career at Deloitte & Touche LLP in 1991.

Kevin Layden, *Trustee*

Kevin Layden is an accomplished leader with 38 years of strategic planning, operations management and governance experience in the land development and retail sectors. Since 2008, he has been the President and Chief Executive Officer of Wesbild Holdings Ltd., a privately held residential, commercial and industrial real estate developer. Prior to Wesbild, he was the President of Future Shop when it was owned by Persis Holdings (Wesbild's parent company) and subsequently sold to Best Buy in 2001. He stayed on as President after the closing and was responsible for the integration with Best Buy. He led the team responsible for building out the Best Buy banner across Canada using the standalone infrastructure of Future Shop while simultaneously growing the Future Shop banner. This

"dual brand strategy" has since become the model for which Best Buy expands internationally. Mr. Layden went on to become the Chief Operating Officer of Best Buy International with responsibility of expanding Best Buy in Canada, Mexico, England, Turkey and China before leaving to join Wesbild.

Mr. Layden currently serves on the board of the Urban Development Institute, Pacific Region, a non-profit land development association in the Lower Mainland region of British Columbia. He was previously the Chairman of the Retail Council of Canada, was the Co-Chair for the Lower Mainland's 2010 United Way Campaign Cabinet and was on the 2008 United Way Campaign Cabinet for the Retail and Services Group.

Paul Mussenden*, Independent Director*

Dr. Paul Mussenden is a seasoned healthcare executive. He is currently Chief Executive Officer of Cydar Ltd, a medical device business that uses artificial intelligence software and cloud computing to integrate medical images to provide surgical guidance. He is also a trustee and Deputy Chairman. of LifeArc Limited, a healthcare charity. Through his career Paul has advised healthcare companies at all stages of development, from research and development to commercialization, including private and mature, publicly traded businesses. He has led the establishment of corporate governance and risk management frameworks and has extensive experience in corporate finance, including fundraising and investment, and mergers & acquisitions.

Paul was previously General Counsel & Head of Strategic Affairs at BTG plc, a UK FTSE250 healthcare company, playing a key role in building the company from 2000 until its sale to Boston Scientific for $4.2 billion in 2019. At BTG Paul was managing director of the intellectual property licensing & royalty business, as well as for a small medical device business unit. Paul also had management responsibility for the Legal, Intellectual Property, Regulatory, Market Access & Reimbursement, Compliance and Medical Affairs functions. Prior to BTG, he was an Equity Markets Advisor with the London Stock Exchange, where he focused on healthcare company transactions.

Sandra Stuart, *Independent Director*

Sandra Stuart is an accomplished international banking executive with extensive corporate governance experience. She has been recognized by the Association of Women in Finance for Excellence in the Private Sector, was acknowledged as one of British Columbia's Most Influential Women by BC Business Magazine in 2015 and was named one of the Women's Executive Network's Top 100 Most Powerful Women in Canada in 2014.

Mrs. Stuart retired in 2020 as President and Chief Executive Officer of HSBC Bank Canada after close to 40 years of progressively senior roles with the company, in Canada and abroad, including in the United States and Brazil. As the Chair of HSBC Bank Canada's National Diversity Council, she led the development of policies and initiatives that resulted in an increase in the proportion of diversity appointments to senior executive roles and board positions. She is currently a Director of the Supervisory Board of HSBC Trinkaus & Burkhardt AG, operating as HSBC Deutschland, is a member of the Faculty Advisory Board of the University of British Columbia's Sauder School of Business, Member of the Business Council of Canada, and a Member of the Business Council of British Columbia.

Tamara Vrooman, *Independent Director*

Tamara Vrooman is a visionary leader and business executive with over 20 years' experience. Currently, she is President and Chief Executive Officer of the Vancouver Airport Authority (YVR), which operates Canada's second busiest airport. Prior to joining YVR in 2020, Ms. Vrooman served for 13 years as the President and Chief Executive Officer of Vancity, Canada's largest community credit union. She assumed leadership of Vancity at the beginning of the global financial crisis and is credited with having transformed the business and service model, delivering record profitability and doubling its assets. Ms. Vrooman was also Deputy Minister in both the Ministries of Finance and of Health, Secretary to the Treasury Board, and CEO of the Public Sector Employees Council for the B.C. Provincial Government.

Ms. Vrooman currently serves as Simon Fraser University's 12th Chancellor and chairs the board of the Rick Hansen Foundation. She is the recipient of the Order of British Columbia (2019), Peter Lougheed Award for Leadership in Public Policy (2016) and BC CEO of the Year Award – Major Private Company, Business in Vancouver (2015) among many other citations.

Chris Anastasopoulos, CPA, *Chief Financial Officer*

Chris Anastasopoulos is a strategic financial executive with 29 years of experience in the financial services industry. He has led high performance finance and operations teams at a global asset manager, a major Canadian pension plan and a leading Canadian chartered bank.

Mr. Anastasopoulos joined DRI Capital in 2015 and has ultimate responsibility for DRI Capital's finance function. Before joining DRI, he was with the Ontario Municipal Employees Retirement System ("**OMERS**"), an Ontario-based pension plan, for over ten years. During this time, he held progressively senior finance and operations roles, including Vice President, Finance, Operations and Business Development with OMERS Investment Management, which raised domestic capital for OMERS; Vice President, Finance for OMERS Strategic Investments, which managed a portfolio of private markets assets and raised international capital for OMERS; and Director, Corporate Financial Reporting for OMERS Corporate office. Prior to OMERS, Mr. Anastasopoulos held senior finance roles in TD Bank's Subsidiaries and Affiliates Department and Chief Accountant's Department after beginning his career at KPMG LLP, where he progressed to the position of Audit Manager.

Information Regarding Additional Personnel of our Manager

In addition to our executive officers, we expect to benefit from the services of senior management personnel of DRI Capital who are expected to provide services to the Trust. These personnel are employees of DRI Capital and are not executive officers of the Trust and include the following individuals.

Joel Herold, *Chief Legal Officer*

Joel Herold has 22 years of corporate finance experience and has been integral to the completion of several mergers and acquisitions, and public and private financing transactions, as well as the deployment and management of sophisticated investment funds, domestically and abroad.

In addition to serving as DRI Capital's Chief Legal Officer, Mr. Herold has contributed to capital markets activity and other financings transactions for DRI Capital and the DRI Capital Funds and has contributed to the identification, evaluation and execution of the Company's royalty acquisitions. Prior to joining DRI Capital in 2018, Mr. Herold was a partner in the law firm of Cravath, Swaine & Moore LLP and was with the firm for nearly 20 years, where he focused on corporate transactional work, intellectual property and general corporate advisory matters. While at Cravath, he completed work as outside counsel to DRI Capital and its affiliates, including representing DRI Capital in fund raisings, financing and acquisitions.

John McCulloch, *Managing Director*

John McCulloch is a healthcare investor with a Ph.D. in immunology. Over the past 26 years, he has had operational, advisory and investment roles in the life sciences sector. He has served as an advisor and judge for several technology development programs including those offered by the Ontario Institute for Cancer Research, the McEwen Centre for Regenerative Medicine and the Ontario Centres of Excellence.

Dr. McCulloch rejoined DRI Capital in 2013 and is primarily responsible for qualitative diligence on opportunities under consideration. His work encompasses scientific and medical review, competitive assessment and regulatory affairs. Prior to rejoining DRI Capital, he was the founder and Managing Director of Burloch Group, where he helped connect innovators, developers and financiers to create solutions for unmet medical needs. From 2007 to 2012, he worked with emerging life sciences ventures across Ontario as a Senior Advisor at MaRS Discovery District, Canada's largest innovation centre. He founded and managed the highly successful MaRS Future of Medicine event series that showcased leading biotech innovators. From 2007 to 2009, he was President and Chief Operating Officer of Aggregate Therapeutics Inc., a Canadian regenerative medicine company. During his tenure with DRI Capital's predecessor company, Drug Royalty Corporation Inc., from 1994 to 2006, Dr. McCulloch assisted in the completion of over twenty transactions.

Babak Farahmand, *Principal*

Babak Farahmand is a finance professional with over 10 years of experience focused on the healthcare royalty space.

Mr. Farahmand joined DRI in June 2010 and since 2018 has led its Operations team, which is responsible for modelling and risk analysis, investment and portfolio performance monitoring, asset valuations, foreign exchange and interest rate hedging, as well as contributing to fundraisings and debt issuances. He initially joined DRI as an analyst before serving as Director of Operations & Risk Management. Before joining DRI, Mr. Farahmand pursued an academic career at the University of Toronto and holds a dual degree in statistics and economics and a degree in mathematics.

Other Members of the DRI Capital Team

Other Members

In addition to the members of management, DRI Capital has a robust team of professionals who will provide us services in a variety of service areas including 9 professionals with finance, legal and healthcare-related investing experience. DRI Capital also employs 13 staff members in a variety of support functions, including accounting, information technology, investor relations, human resources and legal.

DRI Capital also benefits from the experience of an advisory panel of six professionals with a broad range of legal and healthcare experience with deep industry connectivity. The advisory panel is comprised of individuals who are actively involved in the identification and assessment of opportunities as well as strategic and long-range planning across the biotechnology and pharmaceutical industries.

Ownership Interest

Immediately after the closing of this offering and the purchase of units by certain personnel of our manager, our trustees and executive officers, as a group, are expected to beneficially own, or control or direct, directly or indirectly, ● % of our issued and outstanding units on a non-diluted basis (● % if the Over-Allotment Option is exercised in full).

Penalties or Sanctions

Other than as set out below, none of our trustees or executive officers, and to the best of our knowledge, no unitholder holding a sufficient number of securities to affect materially the control of the Trust, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Ali Hedayat was a director of US Geothermal, Inc. ("**US Geothermal**"), between February 2017 and April 2018. On April 24, 2018, US Geothermal was acquired by Ormat Technologies, Inc. Subsequently, a securities class action was filed against the transaction alleging, among other things, inadequate disclosure by US Geothermal relating to the transaction and the process undertaken by the board of directors. The case was settled on September 16, 2020 in a settlement approved by the Court of Chancery of the State of Delaware, resulting in a $6.5 million payment to investors.

Individual Bankruptcies

None of our trustees or executive officers, and to the best of our knowledge, no unitholder holding a sufficient number of securities to affect materially the control of the Trust, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Corporate Cease Trade Orders and Bankruptcies

None of our trustees or executive officers, and to the best of our knowledge, no unitholder holding a sufficient number of securities to affect materially the control of the Trust is, as at the date of this prospectus, or has been within

the 10 years before the date of this prospectus: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Corporate Governance

We recognize that good corporate governance plays an important role in our overall success and in enhancing unitholder value and, accordingly, we will be adopting upon the closing of this offering, certain corporate governance policies and practices. The disclosure set out below describes our approach to corporate governance.

Composition of our Board and Board Committees

Under our declaration of trust, our board of trustees is to consist of a minimum of three and a maximum of 12 trustees, a majority of whom will be Canadian residents, as determined from time to time by the trustees. Upon completion of this offering, our board will consist of seven trustees, a majority of whom will be Canadian residents. Under our declaration of trust, a trustee may be removed with or without cause by a resolution passed by an ordinary majority of the votes cast by unitholders present in person or by proxy at a meeting and who are entitled to vote. The trustees will be elected by unitholders at each annual meeting of unitholders, and all trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. Under our declaration of trust, between annual general meetings of unitholders, the trustees may appoint one or more additional trustees, but the number of additional trustees may not at any time exceed one-third of the number of current trustees who were elected or appointed other than as additional trustees.

A quorum for the transaction of business at a meeting of trustees (and any committees) shall consist of a majority of the trustees then holding office (or such committee, as applicable), provided a majority of the trustees comprising such quorum are residents of Canada.

The nominees for election as trustees will be determined by our Governance, Compensation and Nominating Committee ("**GCN Committee**") in accordance with the charter of our GCN Committee. See also "– Committees of our Board – Governance, Compensation and Nominating Committee".

Chair of the Board

Gary Collins, an independent trustee, is the Chair of our board of trustees. Our board of trustees will adopt a written position description for the Chair, which will set out the Chair's key responsibilities, including, among others, duties relating to setting board meeting agendas, chairing board and unitholder meetings and trustee development. See " – Meetings of Independent Trustees and Conflicts of Interest".

Trustee Independence

Under NI 58-101, a trustee is considered to be independent if he or she is independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Pursuant to NI 52-110, an independent trustee is a trustee who is free from any direct or indirect relationship which could, in the view of our board of trustees, be reasonably expected to interfere with a trustee's independent judgment. Based on information provided by each trustee concerning his or her background, employment and affiliations, our board has determined that, of the seven trustees on our board, Behzad Khosrowshahi will not be independent because he is our Chief Executive Officer and Ali Hedayat and Kevin Layden will not be independent because of their relationships with DRI Capital and its affiliates.

Certain members of our board are also members of the board of trustees of other public companies. Our board has not adopted a trustee interlock policy but stays informed of other public directorships held by its members.

Meetings of Independent Trustees and Conflicts of Interest

Our board of trustees believes that, given its size and structure, it is able to exercise independent judgment in carrying out its responsibilities and will continue to do so following the closing of this offering. To enhance such independent judgment, the independent members of our board may meet in the absence of senior executive officers, management and personnel of the manager, or any non-independent trustees. Our Chair will be responsible for ensuring that the trustees who are independent of management have opportunities to meet without management present, as required.

A trustee who has a material interest in a matter before our board, or any committee on which he or she serves is required to disclose such interest as soon as the trustee becomes aware of it. In situations where a trustee has a material interest in a matter to be considered by our board or any committee on which he or she serves, such trustee may be required to excuse himself or herself from the meeting while discussions are being held and, depending on the circumstances, abstain from voting with respect to the matter at stake. Trustees will also be required to comply with the relevant provisions of our declaration of trust regarding conflicts of interest.

Majority Voting Policy

In accordance with the requirements of the TSX, our board of trustees will adopt a "Majority Voting Policy" to the effect that a nominee for election as a trustee who does not receive a greater number of votes "for" than votes "withheld" with respect to his or her election by unitholders shall tender his or her resignation to the Chair promptly following the meeting of unitholders at which the trustee was elected. Our GCN Committee will consider such offer and make a recommendation to our board whether to accept it or not. Our board will promptly accept the resignation unless it determines, in consultation with our GCN Committee, that there are exceptional circumstances that should delay the acceptance of the resignation or justify rejecting it. Our board will make its decision and announce it in a press release within 90 days following the meeting of unitholders. A trustee who tenders a resignation pursuant to the Majority Voting Policy will not participate in any meeting of our board or our GCN Committee at which the resignation is considered.

Trustee Term Limits and Other Mechanisms of Board Renewal

Our board of trustees has not adopted trustee term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the GCN Committee will seek to maintain the composition of our board in a way that provides, in the judgement of our board, the best mix of skills and experience to provide for our overall stewardship. Our GCN Committee is also expected to conduct a process for the assessment of our board, each committee and each trustee regarding his, her or its effectiveness and performance, and to report evaluation results to our board of trustees. See also "— Diversity".

Mandate of our Board of Trustees

Our board of trustees is responsible for supervising the management of our business and affairs, including providing guidance and strategic oversight to management. Our board will adopt a formal mandate in the form set forth in Appendix A that includes the following:

- appointing our officers;
- overseeing the Trust's relationship with our manager;
- overseeing the organization of the board of trustees;
- overseeing and advising management on the Trust's strategic planning;
- monitoring the financial performance of the Trust;
- approving major decisions regarding us, including major investment decisions;

- overseeing the identification and management of risks of the Trust's business; and
- overseeing financial reporting and other communication.

Our board of trustees will adopt a written position description for our Chair, which will set out the key responsibilities of our Chair.

Our board of trustees will adopt a written position description for our Chief Executive Officer which will set out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development by our manager of a strategic plan and recommending such plan to our board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to our board for consideration, and supervising day-to-day management and communicating with unitholders and regulators.

Orientation and Continuing Education

Following the closing of this offering, we will implement an orientation program for new trustees. In addition, new trustees will be provided with comprehensive orientation and education as to our activities and our industry, the role of our board and its committees, and the contribution that an individual trustee is expected to make. Our GCN Committee will be responsible for overseeing trustee continuing education designed to maintain and enhance the skills and abilities of the trustees and to ensure that their knowledge and understanding of our business remains current. The chair of each committee will be responsible for coordinating orientation and continuing trustee development programs relating to the committee's mandate.

Code of Conduct

We have adopted a written code of conduct (the "**Code of Conduct**") that applies to all of our officers and trustees; the directors, officers and employees of our manager; and contractors and agents acting on behalf of us or our manager. The objective of the Code of Conduct will be to provide guidelines for maintaining our integrity, trust and respect. The Code of Conduct will address compliance with laws, rules and regulations, conflicts of interest, confidentiality, commitment, preferential treatment, financial information, internal controls and disclosure, protection and proper use of our assets, communications, fair dealing, fair competition, due diligence, illegal payments, equal employment opportunities and harassment, privacy, use of our computers and the internet, political and charitable activities and reporting any violations of law, regulation or the Code of Conduct. Our board will have ultimate responsibility for monitoring compliance with the Code of Conduct and it will monitor compliance through our GCN Committee. The Code of Conduct will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Standard of Care

The standard of care and duties of the trustees provided in the declaration of trust are similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the Trust and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The declaration of trust provides that each trustee will be entitled to indemnification from us from and against liability and costs in respect of any action or suit against them in respect of the exercise of the trustee's powers and the discharge of the trustee's duties, provided that the trustee acted honestly and in good faith with a view to the best interests of the Trust and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the trustee had reasonable grounds for believing that his or her conduct was lawful.

Committees of our Board

Our board of trustees has established two standing committees: the Audit Committee and the GCN Committee.

Audit Committee

Our Audit Committee consists of three trustees, each of whom is a person determined by our board of trustees to be independent trustees and financially literate, in each case, within the meaning of NI 52-110. A majority of the

trustees serving on the Audit Committee must be residents of Canada. Our Audit Committee is currently comprised of Sandra Stuart, who acts as chair of this committee, Gary Collins and Tamara Vrooman, all of whom are resident Canadians. Each of our Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the relevant education and experience of each member of our Audit Committee, see also " – Biographical Information Regarding our Trustees and Executive Officers".

Our board of trustees has adopted a written charter in the form set forth in Appendix B, setting forth the purpose, composition, authority and responsibility of our Audit Committee, consistent with NI 52-110. Our Audit Committee will assist our board in fulfilling its oversight of:

- our financial statements and financial reporting processes;
- our systems of internal accounting and financial controls;
- the qualifications and independence of our external auditors;
- the work of our financial management, internal auditors and external auditors;
- legal and regulatory compliance;
- financial reporting risk;
- investments, acquisitions and divestitures that may have a material effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;
- matters pertaining to our material policies and practices respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives; and
- public disclosure items such as earnings press releases, financial information and guidance and other public reporting requirements.

It will be the responsibility of our Audit Committee to maintain free and open channels of communication between the Audit Committee, our external auditors and our management. Our Audit Committee will be given full access to our management and records and external auditors as necessary to carry out these responsibilities. We will provide appropriate funding, as determined by our Audit Committee, for the payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by our Audit Committee.

External Auditor Service Fee

For the years ended December 31, 2019 and 2018, the following fees were paid to our external auditors, Deloitte LLP in relation to services provided to the entities that we will acquire as part of the Closing Transactions:

	2019	2018
Audit Fees[1]	$150,375	$163,975
Audit-Related Fees[2]	$ 10,500	$ 85,200
Tax Fees[3]	$ 85,300	$ 61,300
All Other Fees[4]	—	—
Total	**$246,175**	**$310,475**

Notes:

(1) Fees for audit services on an accrued basis.

(2) Fees for assurance and related services not included in audit services above.

(3) Fees for tax compliance, tax advice and tax planning.

(4) All other fees not included above.

Governance, Compensation and Nominating Committee

Our GCN Committee consists of three trustees, each of whom is a person determined by our board of trustees to be an independent trustee and a majority of whom must be residents of Canada. Our GCN Committee is charged with

reviewing, overseeing and evaluating our corporate governance, compensation and nominating policies. Our GCN Committee is currently comprised of Gary Collins, Tamara Vrooman and Paul Mussenden, a majority of whom are resident Canadians. Paul Mussenden will chair the GCN Committee. No member of our GCN Committee is or will be one of our officers, and as such, our board believes that our GCN Committee will be able to conduct its activities in an objective manner.

For additional details regarding the relevant education and experience of each member of our GCN Committee, including the direct experience that is relevant to each committee member's responsibilities in executive compensation, see also " – Biographical Information Regarding Our Directors and Executive Officers".

Our board will adopt a written charter setting forth the purpose, composition, authority and responsibility of our GCN Committee. Our GCN Committee's purpose will be to assist our board in:

- assessing the compensation of our trustees and making recommendations to our board of trustees;
- developing our corporate governance guidelines and principles and providing governance leadership;
- identifying individuals qualified to be nominated as members of our board;
- overseeing trustee orientation and continuing education;
- administering our equity-based incentive plans;
- monitoring compliance with our Code of Conduct;
- reviewing the structure, composition and mandate of our board committees; and
- evaluating the performance and effectiveness of our board and of our board committees.

Our GCN Committee will be responsible for, annually or as required, recruiting and identifying, and recommending to our board for nomination, individuals qualified to become new board members, as well as recommend individual trustees to serve on the various board committees. In making its recommendations, the GCN Committee shall consider the competencies that our board considers to be necessary and desirable for the board as a whole, and board committees, to possess, the competencies and skills that the board considers each existing trustee to possess, and the competencies and skills each new nominee will bring to the boardroom. The GCN Committee shall also consider the amount of time and resources that nominees have available to fulfill their duties as a board member.

Our GCN Committee will be responsible for establishing and implementing procedures to evaluate the desired competencies and skills of our board, committees of our board and the contributions of individual board members. Our GCN Committee will also take reasonable steps to evaluate and assess, on an annual basis, trustees' performance and effectiveness of our board, committees of our board, individual board members, our Chair and committee chairs. The assessment may address, among other things, individual trustee independence, individual trustee and overall board skills, and individual trustee financial literacy. Our board will receive and consider the recommendations from our GCN Committee regarding the results of the evaluation of the performance and effectiveness of our board, committees of our board, individual board members, our Chair and committee chairs. Our GCN Committee will also be responsible for orientation and continuing education programs for our trustees. See also " – Orientation and Continuing Education".

Diversity

We recognize the importance and benefit of having a board of trustees and senior management comprised of highly talented and experienced individuals having regard to the need to foster and promote diversity among board members and senior management with respect to attributes such as gender, ethnicity and other factors.

In support of this goal, our GCN Committee will, when identifying candidates to nominate for election to our board or appoint as senior management:

- consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to our current and future plans and objectives, as well as anticipated regulatory and market developments;

- consider criteria that promote diversity, including with regard to gender, ethnicity, and other factors;
- consider the level of representation of women on our board and in senior management positions, along with other markers of diversity, when making recommendations for nominees to our board or for appointment as senior management and in general with regard to succession planning for our board and senior management; and
- as required, engage qualified independent external advisors to assist our board in conducting its search for candidates that meet the board's criteria regarding skills, experience and diversity.

Following the closing of this offering, we expect to adopt a formal policy for the representation and nomination of women on our board and our senior management consistent with our commitment to diversity described above. We do not expect to adopt formal targets regarding the number of women on our board or in executive officer positions because our GCN Committee generally identifies, evaluates and recommends candidates that, as a whole, consist of individuals with various and relevant career experience, industry knowledge and experience, and financial and other specialized experience, while taking diversity, including gender diversity, into account.

There are two women on our board, representing 29% of the trustees currently on our board. We do not currently have any women executive officers. We do not have a management team beyond our executive officers. However, women are represented in management positions at our manager, including on our manager's investment team.

Disclosure Policy and Insider Trading Policy

Our board of trustees has adopted a Disclosure Policy to deal with the timely dissemination of all material information. The Disclosure Policy, which will be reviewed annually, will establish guidance for determining what information is material and how it is to be disclosed to avoid selective disclosure and to ensure wide dissemination. Our board, directly and through its committees, will review and approve the contents of major disclosure documents, including annual and interim consolidated financial statements, prospectuses, our annual information form, management's discussion and analysis and our management information circular. We seek to communicate with our unitholders through these documents as well as by means of news releases, our website and investor relations calls and meetings. Our board of trustees has also adopted an Insider Trading Policy to impose customary restrictions and blackout periods to prevent trading during certain periods and when personnel are or may be in possession of material non-public information.

Directors' and Officers' Liability Insurance

Our and our subsidiaries' trustees, directors and officers are and will be covered under our directors' and officers' liability insurance. Under this insurance coverage, we and our subsidiaries will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of our and our subsidiaries' trustees, directors and officers, subject to a deductible for each loss, which will be paid by us. Our and our subsidiaries' individual trustees, directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by us or our subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

EXECUTIVE COMPENSATION

Overview

Our executive officers will consist of individuals employed by our manager. Our manager will provide management services to us pursuant to our management agreement, for which we will pay certain fees. See "Agreements with our Manager – Management Agreement".

We will not have any employment agreements with our executive officers and we will not pay any cash compensation to any individuals serving as our executive officers, directly or indirectly. Rather, those individuals will be compensated by our manager. The compensation paid to certain employees of our manager will be attributable to time spent on our activities.

Our officers named in the "Summary Compensation Table" below are employees of DRI Capital. These officers are referred to herein as the "named executive officers".

The board of directors of DRI Capital will have sole responsibility for determining the compensation of the named executive officers, other than the granting of equity entitlements under our omnibus equity incentive plan, which will be the responsibility of the GCN Committee. As a private company, our manager is not required to disclose the basis for determining the compensation of its employees.

Compensation Discussion and Analysis

As our executive officers will be employed by DRI Capital, we will only be obligated to pay fixed amounts to DRI Capital pursuant to our management agreement. Any variability in cash compensation to be paid by our manager to the named executive officers will not impact our financial obligations.

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on our activities, and supplements the more detailed information concerning executive compensation that appears in the tables and the accompanying narrative that follow.

Principal Elements of Compensation

The compensation of the named executive officers will include two major elements initially: (i) base salary, and (ii) an annual cash bonus. In the future, the compensation of our named executive officers may also include long-term equity incentives consisting of equity entitlements granted under our omnibus equity incentive plan. There are currently no such equity entitlements outstanding and none are expected to be outstanding as of the closing of this offering.

The base salary of our executive officers is determined by the board of directors of DRI Capital and is, in part, based on compensation surveys conducted on behalf of DRI Capital by third party firms. DRI Capital's board reviews the results of these compensation surveys and sets base salaries such that its executives are paid competitively when compared to similar firms.

The performance bonus of our executive officers is determined by the board of directors of DRI Capital and is, in part, based on (a) the financial performance of DRI Capital relative to its annual budgets; and (b) the results of annual and mid-stream performance reviews that measure the executive officers' performance across a number of behavioral measures.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

These two principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to our success, the position and responsibilities of the named executive officers and competitive industry pay practices for other issuers of comparable size. From time to time, DRI Capital engages compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable businesses. Increases in base salary are at the sole discretion of DRI Capital, with input from the GCN Committee.

Annual cash bonuses. Annual cash bonuses are discretionary and are awarded pursuant to a formal incentive plan of DRI Capital. Annual cash bonuses awarded by DRI Capital are based on (a) the financial performance of DRI Capital relative to its annual budgets; and (b) the results of annual and mid-stream performance reviews that measure the executive officers' performance across a number of behavioral measures. The determination of our manager's performance may vary from year to year depending on economic conditions and conditions in the pharmaceutical and biotechnology industry, and may be based on measures such as unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance.

Individual performance factors vary and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities.

Summary Compensation Table

The following table provides a summary of the significant elements of compensation anticipated to be paid to each of the named executive officers following the closing of this offering.

Name and principal position	Year	Salary[(1)(2)] ($)	Unit-based awards ($)	Non-equity incentive plan compensation (Bonus)[(3)(4)] ($)	All other compensation ($)	Total compensation ($)
Behzad Khosrowshahi, Chief Executive Officer	2021	500,000	—	500,000	—	1,000,000
Chris Anastasopoulos, Chief Financial Officer	2021	300,000	—	300,000	—	600,000

Notes:

(1) Represents the portion of salary anticipated to be paid by DRI Capital attributable to time expected to be spent on our activities.

(2) Annualized base salary immediately after the Closing Date.

(3) Represents the portion of bonus anticipated to be paid by DRI Capital attributable to time expected to be spent on our activities.

(4) Annualized bonus immediately after the Closing Date.

Omnibus Equity Incentive Plan

The omnibus equity incentive plan to be adopted in connection with the offering will be administered by our board of trustees, and our board will have the authority to interpret the omnibus equity incentive plan, including in respect of any award granted thereunder. The omnibus equity incentive plan will permit our board to make future awards of options, restricted share units ("**RSUs**"), performance share units ("**PSUs**") and deferred share units ("**DSUs**") to eligible participants. No such entitlements are currently outstanding or will be outstanding as of the closing of this offering and the Closing Transactions.

Units Reserved for Issuance

The maximum number of units available for issuance under the omnibus equity incentive plan will be fixed at

- units, which represents 10% of the units expected to be outstanding on completion of the offering. The maximum number of units issuable pursuant to RSUs, PSUs and DSUs under the omnibus equity incentive plan will be fixed at
- units.

Insider Participation Limit

The number of units that will be issuable to insiders of the Trust, at any time, under the omnibus equity incentive plan or any other security based compensation arrangement of the Trust, cannot exceed 10% of our total issued and outstanding units. In addition, the number of units issued to insiders of the Trust, within any one year period, under our omnibus equity incentive plan or any other security based compensation arrangement of the Trust, cannot exceed 10% of our total issued and outstanding units.

Options

All options granted under the omnibus equity incentive plan will have an exercise price determined and approved by our board of trustees at the time of grant, which exercise price will not be less than the closing price of our units on the TSX on the trading day immediately preceding the date of the granting of the option.

Subject to any vesting conditions set forth in a participant's grant agreement, options will vest in successive annual periods over a period of up to five years after they are granted. Options shall be exercisable during a period

established by our board of trustees which shall not be more than 10 years from the grant of the option. The omnibus equity incentive plan will provide that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a blackout period. In such cases, the extended exercise period shall terminate ten business days after the last day of the blackout period. The board of trustees may, in its discretion, provide for procedures to allow a participant to elect to undertake a "cashless exercise" or a "net exercise" in respect of options.

Share Units

Our board of trustees will be authorized to grant RSUs, PSUs and DSUs evidencing the right to receive units (issued from treasury or purchased on the open market), cash (based on the value of a unit) or a combination thereof , at some future time to eligible persons under the omnibus equity incentive plan. Although DSUs may be available for grant to trustees, executive officers, employees and consultants, the Trust currently only intends to grant DSUs as a form of non-executive trustee compensation.

RSUs generally become vested, if at all, following a period of continuous employment. PSUs are similar to RSUs, but their vesting is, in whole or in part, conditioned on the attainment of specified performance metrics as may be determined by our board of trustees. The terms and conditions of grants of RSUs and PSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to these awards will be set out in the participant's grant agreement.

Subject to the achievement of the applicable vesting conditions, the payout of an RSU or PSU will generally occur on the settlement date. The payout of a DSU will generally occur upon or following the participant ceasing to be a trustee, officer, employee or consultant of the Trust, subject to satisfaction of any applicable conditions.

Adjustments

In the event of any subdivision, consolidation, reclassification, reorganization or any other change affecting the units, or any merger or amalgamation with or into another trust or organization, or any distribution to all security holders of cash, evidences of indebtedness or other assets not in the ordinary course, or any transaction or change having a similar effect, our board of trustees shall in its sole discretion, subject to the required approval of any stock exchange, determine the appropriate adjustments or substitutions to be made in such circumstances in order to maintain the economic rights of the participants in respect of awards under the omnibus equity incentive plan, including, without limitation, adjustments to the exercise price, the number and kind of securities subject to unexercised awards granted prior to such change and/or permitting the immediate exercise of any outstanding awards that are not otherwise exercisable.

Trigger Events; Change of Control

The omnibus equity incentive plan will provide that certain events, including termination for cause, resignation, termination other than for cause, retirement, death or disability, may trigger forfeiture or reduce the vesting period, where applicable, of the award, subject to the terms of the participant's grant agreement.

A participant's grant agreement or any other written agreement between a participant and the Trust may provide, where applicable, that unvested awards be subject to acceleration of vesting and exercisability in certain circumstances, including in the event of certain change of control transactions.

Similarly, in the event of a change of control, our board of trustees will have the power, in its sole discretion, to modify the terms of the omnibus equity incentive plan and/or the awards granted thereunder (including to cause the vesting of all unvested awards) to assist the participants to tender into a take-over bid or any other transaction leading to a change of control. In such circumstances, our board shall be entitled to, in its sole discretion, provide that any or all awards shall terminate, provided that any such outstanding awards that have vested shall remain exercisable until consummation of such change of control, and/or permit participants to conditionally exercise awards.

Amendments and Termination

Subject to the rules of the TSX, our board may at any time or from time to time without unitholder approval alter, amend, vary, suspend, terminate or cancel the omnibus equity incentive plan or amend any awards issued pursuant to

the omnibus equity incentive plan. The board will have the discretion to make amendments to the omnibus equity incentive plan which it may deem necessary or desirable, without having to obtain unitholder approval, provided that they do not impair the rights of a participant or subject a U.S. taxpayer to additional penalty taxes, each as specified in the omnibus equity incentive plan. Such changes include, without limitation:

- any amendment to the vesting provisions, if applicable, or assignability provisions of awards;
- a waiver of an early expiration date provided that it does not extend the terms of the award past the original date of expiration for such award;
- any amendment regarding the effect of termination of a participant's employment or engagement;
- any amendment which accelerates the date on which any award may be exercised under the omnibus equity incentive plan;
- any amendment to the definition of an eligible participant under the omnibus equity incentive plan;
- any amendment necessary to comply with applicable law or the requirements of the TSX or any other regulatory body;
- any amendment of a "housekeeping" nature, including, without limitation, to clarify the meaning of an existing provision of the omnibus equity incentive plan, correct or supplement any provision of the omnibus equity incentive plan that is inconsistent with any other provision of the omnibus equity incentive plan, correct any grammatical or typographical errors or amend the definitions in the omnibus equity incentive plan;
- any amendment regarding the administration of the omnibus equity incentive plan;
- any amendment to add or amend provisions permitting for the granting of cash-settled awards, a form of financial assistance or clawback; and
- any other amendment that does not require the approval of the holders of units pursuant to the amendment provisions of the omnibus equity incentive plan.

Nonetheless, and subject to any additional requirements of the rules of the TSX, the following changes to the omnibus equity incentive plan or the awards will require the approval of the unitholders as well as the approval of the TSX:

- an increase in the maximum number of units issuable pursuant to awards granted under the omnibus equity incentive plan;
- any amendment to remove or exceed the non-employee trustee participation limits;
- any amendment to remove or exceed the insider participation limits;
- a reduction in the exercise price of an option;
- an extension of the term of awards;
- any amendment that permits awards to be transferred to a person other than a permitted assign or for normal estate settlement purposes; and
- a change to the provisions regarding amendments to the omnibus equity incentive plan.

Except as specifically provided in a grant agreement approved by the board, awards granted under the omnibus equity incentive plan generally will not be transferable other than by will or the laws of succession.

We currently do not provide any financial assistance to participants under the omnibus equity incentive plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of our trustees, executive officers, employees, former trustees, former executive officers or former employees or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided to us or any of our subsidiaries.

TRUSTEE COMPENSATION

Our trustee compensation program is designed to attract and retain the most qualified individuals to serve on our board of trustees. Each non-executive trustee will be compensated as indicated below:

Type of Fee[1]	Amount
Trustee Annual Retainer	$100,000/year
Board Chair Annual Retainer[2]	$ 25,000/year
Audit Committee Chair Annual Retainer	$ 25,000/year

Notes:

(1) Trustees may elect to be paid the retainer amounts in cash or in an equivalent value of equity entitlements granted under our omnibus equity incentive plan.

(2) The Chair of our board will receive such amount if he or she is not an employee of the Trust or DRI Capital or one of their respective affiliates.

Our trustees will also be reimbursed for their out-of-pocket expenses incurred in acting as trustees. Trustees who are employees of and who receive salary from the Trust or DRI Capital or one of their respective affiliates will not be entitled to receive any remuneration for their services in acting as trustees, but will be entitled to reimbursement of their out-of-pocket expenses incurred in acting as trustees.

PLAN OF DISTRIBUTION

General

Pursuant to an underwriting agreement dated ● , 2021 among the Trust, DRI Capital and the Underwriters (the "**Underwriting Agreement**"), we have agreed to sell and the Underwriters have severally agreed to purchase on the closing of this offering an aggregate of ● units at a price of $ ● per unit payable in cash to us against delivery of the units for aggregate gross proceeds of $ ● . We have agreed to pay the Underwriters a fee equal to $ ● per unit (being ● % of the Offering Price), including any units issued pursuant to the exercise of the Over-Allotment Option. It is estimated that the total expenses of this offering, not including the Underwriters' fee, will be approximately $ ● . All such expenses of this offering will be paid by us.

Our units are being offered in Canada by the Canadian Underwriters, and in the United States by certain U.S. broker-dealers, including the U.S. broker-dealer affiliates of the Canadian Underwriters.

Concurrently with the completion of this offering, DRI Capital, certain of its personnel and certain current and former investors in the DRI Capital Funds and certain other investors will purchase an aggregate of ● units of the Trust by way of private placement at a price of $ ● per unit, resulting in total proceeds to us of $34,730,000. The purchase price per unit reflects a discount of $ ● to the Offering Price. This prospectus does not qualify the distribution of units sold pursuant to the concurrent private placement. Completion of the concurrent private placement is conditional upon the completion of this offering and this offering is conditional upon the completion of the concurrent private placement. The units issued pursuant to the concurrent private placement will be sold to "accredited investors" (within the meaning of applicable Canadian securities laws) in Canada and to purchasers in the United States in accordance with OSC Rule 72-503 and be subject to hold periods or resale restrictions under applicable laws. The purchase of units pursuant to the concurrent private placement will not result in any of DRI Capital, its personnel or any insider of DRI Capital or the Trust becoming a "control person" of the Trust for the purposes of applicable Canadian securities laws.

Prior to this offering, there was no public market for our units. The Offering Price of $ ● per unit was determined by negotiation among us and the Underwriters, and the Underwriters propose to offer the units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the units at the price specified on the cover page of this prospectus, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the units is less than the price paid by the Underwriters to us. Any such reduction will not affect the net proceeds received by us. The Underwriters may form a selling group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters out of their fees.

Pursuant to the Underwriting Agreement, we have granted to the Underwriters the Over-Allotment Option, which is exercisable, in whole or in part, at any time for a period of 30 days after the Closing Date to purchase from us up to an additional ● units (representing approximately 15% of the aggregate number of units sold in the base offering, which does not include the units to be purchased in the concurrent private placement), on the same terms as set forth above solely for the purpose of covering over-allotments, if any. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the units to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires units forming part of the Underwriters' over-allocation position acquires such units under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Underwriting Agreement, the Underwriters may, at their discretion, terminate the Underwriting Agreement upon the occurrence of certain events, including those set out in customary "material change out", "disaster out", "proceedings to restrict distribution out", "non-compliance with conditions out" and "market out" clauses, and in the event that certain conditions in the Underwriting Agreement are not satisfied or waived. The Underwriters are, however, severally obligated to take up and pay for all of the units that they have agreed to purchase if any of the units are purchased under the Underwriting Agreement.

Our units have been approved for listing on the TSX in Canadian dollars under the symbol "DHT.UN" and in U.S. dollars under the symbol "DHT.U". Listing will be subject to us fulfilling all the listing requirements of the TSX on or before April 26, 2021.

There is currently no market through which the units may be sold and purchasers may not be able to resell units purchased under this prospectus. This may affect the pricing of our units in the secondary market, the transparency and availability of trading prices, the liquidity of our units and the extent of issuer regulation. See "Risk Factors". Subscriptions for units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of this offering is expected to occur on February 19, 2021 or such other date as we and the Underwriters may agree, but in any event not later than February 26, 2021.

Our units have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell units within the United States, except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the units that they have acquired pursuant to the Underwriting Agreement in the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act and exemptions from registration under applicable state securities laws.

The Underwriting Agreement also provides that the Underwriters may offer and sell the units outside the United States in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of the units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Switzerland

The Trust has not been licensed for offering to non-qualified investors in or from Switzerland with the Swiss Financial Market Supervisory Authority FINMA (**FINMA**) as a foreign collective investment scheme pursuant to article 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes (**CISA**) and no representative and/or paying agent in Switzerland has been appointed pursuant to article 120 para. 2 and/or article 120 para. 4 CISA. Accordingly, our units may only be offered (within the meaning of article 3 lit. g of the Swiss Federal Act on Financial Services (**FinSA**) and article 3 para. 5 of the Swiss Federal Ordinance on Financial Market Services) and/or marketed (within the meaning of article 127a of the Swiss Federal Ordinance on Collective Investment Schemes), directly or indirectly, in or from Switzerland to professional clients as defined in article 4 para. 3 FinSA. Consequently, this prospectus and/or any other offering documents and/or any marketing materials relating to the Trust may only be made available in or from Switzerland to professional clients as defined in article 4 para. 3 FinSA. **Investors in our units do not**

benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the licensing for offering or the appointment of a representative and a paying agent in Switzerland.

Price Stabilization, Short Positions and Passive Market Making

In connection with this offering, the Underwriters may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of our units at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our units while this offering is in progress. These transactions may also include over-allocating or making short sales of our units, which involves the sale by the Underwriters of a greater number of units than they are required to purchase in this offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing units in the open market. In making this determination, the Underwriters will consider, among other things, the price of units available for purchase in the open market compared with the price at which they may purchase units from the Trust through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the units in the open market. Any naked short sales will form part of the Underwriters' over-allocation position. A purchaser who acquires units forming part of the Underwriters' over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such units under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces ("**UMIR**"), the Underwriters may not, at any time during the period of distribution, bid for or purchase units. The foregoing restriction is, however, subject to certain exceptions as permitted by such rules and policy statements and UMIR. These exceptions include a bid or purchase permitted under the provisions of such rules and policy statements and UMIR relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited.

As a result of these activities, the price of our units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which our units are listed, in the over-the-counter market, or otherwise.

No certificates representing units to be sold in this offering will be issued to purchasers under this prospectus. The units offered under this prospectus will be deposited with CDS in electronic form on the Closing Date. A purchaser of units will receive only a customer confirmation from the registered dealer from or through which units are purchased.

Lock-up Arrangements

Each of the Trust, the trustees and executive officers of the Trust, DRI Capital and certain of its senior management has agreed that he, she or it will not, directly or indirectly, without the prior written consent of the Joint Bookrunners, on behalf of the Underwriters (such consent not to be unreasonably withheld), issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of our equity securities, or other securities convertible or exchangeable into or otherwise exercisable into our equity securities or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our equity securities, or agree or publicly announce any intention to do any of the foregoing for a period commencing on the Closing Date and ending 180 days after the Closing Date, subject to certain limited exceptions, including the sale of our securities pursuant to the exercise of the Over-Allotment Option, or the issuance of our securities pursuant to or in connection with our omnibus equity incentive plan.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters (together, the "**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of units acquired under this offering. This summary is applicable to a holder who at all relevant times, for purposes of the Tax Act, is or is deemed to be resident in Canada, deals at arm's length and is not affiliated with the Trust and its affiliates and holds units as capital property. Generally, the units will be considered to be capital property to a holder provided that the holder does not hold the units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a holder: (a) that is a "financial institution" for purposes of the mark-to-market rules; (b) that has elected to determine its "Canadian tax results" in accordance with a "functional currency"; (c) an interest in which is a "tax shelter investment", or (d) that has entered into a "derivative forward agreement" with respect to units, as each term is defined in the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of units. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire units under this offering.

This summary is based upon the provisions of the Tax Act and the Regulations thereunder, a certificate as to certain factual matters from an executive officer of the Trust, and Counsel's understanding, based on publicly available published materials, of the administrative policies and assessing practices of the CRA, all in effect as of the date of this prospectus. This summary takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the minister prior to the date of this prospectus (the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in CRA's administrative policies and assessing practices, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies and assessing practices.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in the units. Moreover, the income and other tax consequences of acquiring, holding or disposing of the units will vary depending on the holder's particular circumstances. **Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of the units. Consequently, a prospective holder should consult the holder's own tax advisor for advice with respect to the tax consequences of an investment in the units based on the prospective holder's particular circumstances.**

Qualification as a Mutual Fund Trust

This summary is based on the assumptions that the Trust will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act, that the Trust will validly elect under the Tax Act to be a mutual fund trust from the date it was established and that the Trust will not be subject to the limit on non-resident ownership in the Tax Act because the Trust will not own any "taxable Canadian property" as defined in the Tax Act.

To qualify as a mutual fund trust the Trust must (a) be a "unit trust" for purposes of the Tax Act; (b) be resident in Canada; (c) restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable); (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Trust; or (iii) any combination of the activities described in (i) or (ii); and (d) comply with certain minimum requirements respecting the ownership and dispersal of units (the "minimum distribution requirements"). An officer of the Trust has advised Counsel that the Trust will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a mutual fund trust from the time of its establishment

and that the Trust intends to continue to qualify as a "mutual fund trust" under the provisions of the Tax Act at all times thereafter. If the Trust were not to qualify as a mutual fund trust at all times, the income tax considerations described below could, in some respects, be materially and adversely different.

SIFT Rules

The Tax Act provides for a special taxation regime (the "**SIFT Rules**") applicable to a trust or a partnership that is a "specified investment flow-through" trust as defined in the Tax Act ("**SIFT**") and their investors. Under the SIFT Rules, a SIFT is not permitted to deduct any of its "non-portfolio earnings" (which includes its income from its "non-portfolio properties") for a taxation year that it pays or makes payable in the taxation year to its investors. Such undeductible income is subject to tax in the SIFT at rates that approximate the combined federal and provincial corporate income tax rates. Distributions to the SIFT's investors of such undeductible income are deemed to be taxable dividends from a taxable Canadian corporation, and investors are taxed accordingly. The investment restrictions as set out in our declaration of trust and other governing documents of our subsidiaries preclude the Trust or any of its subsidiaries from investing in any entity other than a "portfolio investment entity" or holding any "non-portfolio property", as defined in the Tax Act. As a result, the SIFT Rules should have no application to the Trust.

Taxation of the Trust

The taxation year of the Trust is the calendar year. In each taxation year, the Trust will generally be subject to tax under Part I of the Tax Act on its income for the year, including net taxable capital gains for that year, less the portion thereof that it deducts in respect of the amounts paid or payable, or deemed to be paid or payable, to unitholders in the year. An amount will be considered to be payable to a unitholder in a taxation year if it is paid to the unitholder in the year by the Trust or if the unitholder is entitled in that year to enforce payment of the amount.

For the purposes of the Tax Act, all income of the Trust and its subsidiaries must be calculated in Canadian currency. Where the Trust (or any of its subsidiaries) holds investments denominated in foreign currencies, gains or losses may be realized by the Trust as a consequence of fluctuations in the relative value of the Canadian and foreign currencies.

In computing its income for purposes of the Tax Act, the Trust may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The Trust may also deduct from its income for the year a portion of any reasonable expenses incurred by the Trust to issue units. The portion of such issue expenses deductible by the Trust in a taxation year is 20% of such issue expenses, prorated where the Trust's taxation year is less than 365 days.

Dividends paid to the Trust by DRI Healthcare will be included in computing the income of the Trust. To the extent that DRI Healthcare, or an indirect "controlled foreign affiliate" ("**Indirect CFA**") of the Trust, earns income that is characterized as "foreign accrual property income" ("**FAPI**") in a particular taxation year of DRI Healthcare or the Indirect CFA, the FAPI allocable to the Trust under the rules in the Tax Act must be included in computing the income of the Trust for Canadian federal income tax purposes for the fiscal period of the Trust in which the taxation year of DRI Healthcare or the Indirect CFA ends, whether or not the Trust actually receives a distribution of that FAPI. If an amount of FAPI is included in computing the income of the Trust for Canadian federal income tax purposes, an amount may be deductible in respect of the "foreign accrual tax" applicable to the FAPI. The amount of any FAPI included in computing the income of the Trust, net of the amount of any deduction in respect of "foreign accrual tax", will increase the adjusted cost base to the Trust of its shares of DRI Healthcare. At such time as the Trust receives dividends from DRI Healthcare, such dividends will effectively not be included in computing the income of the Trust to the extent that they do not exceed the net amounts that were previously included in the Trust's income as FAPI, and there will be a corresponding reduction in the adjusted cost base to the Trust of its DRI Healthcare shares.

Having regard to the present intention of our trustees, the Trust is required to make distributions in each year to unitholders in an amount sufficient to ensure that the Trust will generally not be liable for tax under Part I of the Tax Act in any year (after taking into account any applicable tax refunds to the Trust). Where income of the Trust in a taxation year, including net FAPI income inclusions as described immediately above, exceeds the total cash distributions for that year, such excess income may be distributed to unitholders in the form of additional units. Income of the Trust payable to unitholders, whether in cash, additional units or otherwise, will generally be deductible by the Trust in computing its taxable income.

In the event the Trust would otherwise be liable for tax on its net taxable capital gains realized by the Trust for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of units of the Trust during the year (the "**capital gains refund**").

Taxation of Unitholders

Distributions on Units

A unitholder is generally required to include in computing income for a particular taxation year the portion of the net income of the Trust for the taxation year of the Trust ending on or before the particular taxation year end of the unitholder, including net taxable capital gains (determined for the purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the unitholder in the particular taxation year, whether or not those amounts are received in cash, additional units or otherwise.

The non-taxable portion of any net capital gains of the Trust that is paid or payable, or deemed to be paid or payable, to a unitholder in a taxation year will not be included in computing the unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the Trust that is paid or payable, or deemed to be paid or payable, by the Trust to a unitholder in a taxation year, will not generally be included in the unitholder's income for the year. A unitholder will be required to reduce the adjusted cost base of its units by the portion of any amount (other than proceeds of disposition in respect of the redemption of units and the non-taxable portion of net capital gains) paid or payable to such unitholder that was not included in computing the unitholder's income and will realize a capital gain to the extent that the adjusted cost base of the unitholder's units would otherwise be a negative amount. Provided that appropriate designations are made by the Trust, such portions of the net taxable capital gains and foreign source income as are paid or payable, or deemed to be paid or payable, by the Trust to the unitholders will effectively retain their character and be treated and taxed as such in the hands of the unitholders for purposes of the Tax Act, and unitholders may be entitled to claim a foreign tax credit for foreign taxes paid by the Trust. To the extent that amounts are designated as having been paid to unitholders out of the net taxable capital gains of the Trust, such designated amounts will be deemed for tax purposes to be received by unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below.

Dispositions of Units

On the disposition or deemed disposition of a unit by a unitholder, whether on redemption or otherwise, the unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the unitholder's adjusted cost base of the unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the unitholder's income.

For the purpose of determining the adjusted cost base to a unitholder, when a unit is acquired, the cost of the newly-acquired unit will be averaged with the adjusted cost base of all of the units owned by the unitholder as capital property immediately before that acquisition. The adjusted cost base of a unit to a unitholder will include all amounts paid by the unitholder for the unit, with certain adjustments. The cost to a unitholder of units received in lieu of a cash distribution of income of the Trust will be equal to the amount of such distribution that is satisfied by the issuance of such units.

Where the Redemption Price for units is paid and satisfied by way of the issuance of Redemption Notes, the proceeds of disposition to the unitholder of the units will be equal to the fair market value of the Redemption Notes so distributed. The cost of any Redemption Notes issued by the Trust to a unitholder upon a redemption of units will be equal to the fair market value of such Redemption Notes at the time of the transfer less any accrued interest on the Redemption Notes. The unitholder will thereafter be required to include in income interest on such Redemption Notes so acquired in accordance with the provisions of the Tax Act. To the extent that the unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of a Redemption Note by the unitholder, an offsetting deduction will be available.

Taxation of Capital Gains and Losses

One-half of any capital gains realized by a holder of a unit will generally be included in the holder's income as a taxable capital gain. One-half of any capital loss realized by holder on the disposition, or deemed disposition, of a unit,

may generally be deducted by such holder only from taxable capital gains of the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years, to the extent and under the circumstances described in the Tax Act.

Refundable Tax

A holder of units that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on investment income, including amounts in respect of taxable capital gains from designations by the Trust on income distributed by the Trust to unitholders or from dispositions or deemed dispositions of units by the holder.

Alternative Minimum Tax

A holder who is an individual or a trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of units and net income of the Trust, paid or payable, or deemed to be paid or payable, to a holder and that is designated as net taxable capital gains.

RISK FACTORS

This offering and investing in our units is subject to a variety of significant and diverse risks and special considerations, many of which are beyond our control. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including the historical financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our units. Other risks and uncertainties that we do not presently consider to be material, or of which we are not presently aware, may also become important factors that affect our future business, financial condition and results of operations. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our units could decline and you could lose all or part of your investment. Please also see "Forward-Looking Information".

Risks Relating to Our Business

Biotechnology and pharmaceutical products are subject to sales risks

Biotechnology and pharmaceutical product sales may be lower than expected due to a number of reasons, including, product competition, pricing pressures, insufficient demand, failure of clinical trials, failure to obtain marketing approval in one or more jurisdictions or approval for new product indications, product manufacturing or commercialization problems, lack of market acceptance, obsolescence, loss of patent protection, regulatory changes, the impact of the COVID-19 global pandemic, deteriorating economic, market and other business conditions or other factors. In addition, development-stage product candidates may fail to reach the market at all if safety or efficacy concerns are raised during trials. Once on the market, unexpected side effects or safety or efficacy concerns can arise with the product, leading to product recalls, withdrawals, diminishing prescribing by physicians and declining sales. As a result, payments of our royalties may be reduced, cease or be less than expected. In addition, these payments may be delayed, causing our near-term financial performance to be weaker than expected.

The royalty market may not grow at the same rate as it has in the past, or at all, and we may not be able to acquire sufficient royalties to replace our maturing royalties or to begin growing our business

In order to deploy capital to effectively grow our portfolio of royalties, we are reliant on a robust royalty market with demand for the monetization of intellectual property. Changes in the royalty market, including its structure and participants, or a reduction in the growth of the biotechnology and pharmaceutical industry, could lead to diminished opportunities for us to acquire royalties, fewer royalties (or fewer royalties within our target deal size) being available, or increased competition for royalties. If the royalty market is not sustained or does not grow in a manner consistent with historical experience or our expectations, we may not be able to identify and acquire a sufficient number of royalties, or royalties of sufficient scale, to invest the full amount of capital that may be available to us in the future, which could prevent us from executing our growth strategy and negatively impact our results of operations.

Our reliance on a limited number of products may have a material adverse effect on our financial condition and results of operation

The Seed Assets that we will acquire following the closing of this offering include 18 royalties relating to 14 pharmaceutical products. The top five Seed Assets accounted for approximately 60% of total cash royalty receipts of the DRI Capital Funds for the nine months ended September 30, 2020. We may be exposed to the performance of a particular product and the bankruptcy of a relevant counterparty by making investments in a small number of assets that in each case relate to any one product. For instance, the product Spinraza and our resulting exposure to the creditworthiness or solvency of the payer of that royalty, Ionis Pharmaceuticals, constituted approximately 19% of our cash royalty receipts for the nine-month period ended September 30, 2020. If our portfolio is not comprised of a widely diversified range of assets, in the event that a product does not perform as expected, or a relevant counterparty declares bankruptcy, this will have a material adverse effect on our financial condition, results of operations and prospects. In addition, any significant deterioration in the royalty income and cash flows from the top products in our portfolio could have a material adverse effect on our business, financial condition and results of operations.

In agreeing to the purchase price under the purchase agreements, we received and relied on a fairness opinion provided by a nationally-recognized valuation firm that the valuation of the Seed Assets falls within a range that the valuation firm considers to be fair and reasonable on a fair market value basis. Notwithstanding such opinion, others may have different assessments of the projections, forecasts and estimates provided in the fairness opinion with respect to the Seed Assets, or any other assets that we may seek to acquire in the future.

In addition, our asset portfolio may not be fully diversified by geographic region or other criteria. We may invest in assets in respect of which the related product sales predominantly come from a certain number of key jurisdictions. Having a portfolio which is concentrated in a smaller number of countries is generally considered to be a higher risk investment strategy than investing more widely, as it results in the asset having proportionally greater exposure to any particular risks that may occur in that jurisdiction. Any adverse effect on the relevant markets where product sales are concentrated could have a material adverse effect on our financial condition, results of operations and prospects.

Our royalty entitlements on the Seed Assets are expected to decline annually as royalty entitlements in certain jurisdictions expire. Further, our royalty entitlements on our HIV therapeutics are expected to expire in the second quarter of 2021 and several additional royalties from the Seed Assets will be expiring entirely in 2023, 2024 and 2025. Royalty entitlements on the Seed Assets with expiry dates prior to 2025 represented approximately 36% of our cash royalty receipts for the nine-month period ended September 30, 2020, excluding contribution from Legacy Products. Our future performance, including sustaining and growing our royalty income is entirely dependent on our ability to acquire new royalties. If we are unable to acquire additional royalties to replace these maturing royalties or other maturing royalties in the future in a manner consistent with our plans, our royalty income could decline or may not grow in a manner consisted with our expectations. If that occurs, we could encounter a significant deterioration in our cash flows, which could have a material adverse effect on our financial condition, results of operations and prospects. Even if we are able to successfully acquire additional royalties, they may not generate a meaningful return for a period of several years, if at all, due to the price we pay for such royalties or other factors relating to the underlying products. We may not be able to acquire sufficient royalties to replace our maturing royalties or to begin to grow as we have in the past, or at all. Any inability to execute on our growth plan could have a material adverse effect on our financial condition, operations and results of operations.

We make assumptions regarding the royalty duration for terms that are not contractually fixed, and a shortened royalty term could result in a decline in income from royalties, significant reductions in royalty payments compared to expectations, or a permanent impairment of a royalty

In accordance with IFRS, royalty investments must be assessed to determine whether they are to be recognized as financial assets or intangible assets. When royalty investments are determined to be intangible assets under IFRS they are initially measured at the fair value of the consideration paid and subsequently amortized over their useful life. A critical component of such amortization is our assumptions regarding duration of the royalty to determine its useful life.

The royalty duration is important for purposes of accurately measuring royalty income over the life of a royalty. In making assumptions around the royalty duration for terms that are not contractually fixed, we consider 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. We will generally

acquire royalty streams with a remaining life of four to 12 years, but the life of an acquired royalty stream may be different depending on when that royalty stream is acquired relative to the point in time when the right to receive royalties under the licence agreement terminates.

The duration of a royalty usually varies on a country-by-country basis and can be based on a number of factors, such as patent expiration dates, regulatory exclusivity, years from first commercial sale of the patent-protected product, the entry of competing generic, biosimilar and other products, or other terms set out in the contracts governing the royalty. It is common for royalty durations to expire earlier or later than anticipated due to unforeseen positive or negative developments over time, including with respect to the granting of patents and patent term extensions, the invalidation of patents, litigation between the party controlling the patents and third party challengers of the patents, the ability of third parties to design around or circumvent valid patents, the granting of regulatory exclusivity periods or extensions, timing for the arrival of generic or biosimilar competitor products, differences in interpretation of contracts governing royalties, changes to legal or regulatory regimes affecting intellectual property rights or the regulation of pharmaceutical products, product life cycles, and industry consolidations.

If an unexpected shortening of a royalty term were to occur, it could result in a decline in royalty income, a significant reduction in royalty payments compared to expectations, or a permanent impairment.

Our future income is dependent upon numerous royalty-specific assumptions and, if these assumptions prove not to be accurate, we may not achieve our expected rates of returns

Our business model is based on multiple-year internal and external forecasts regarding product sales and numerous product-specific assumptions in connection with each royalty acquisition, including where we have limited information regarding the product. There can be no assurance that the assumptions underlying our financial models, including those regarding product sales or competition, patent expirations or license terminations for the products underlying our portfolio, are accurate. These assumptions involve a significant element of subjective judgment and may be and in the past have been adversely affected by post-acquisition changes in market conditions and other factors affecting the underlying product. Our assumptions regarding the financial stability or operational or marketing capabilities of the marketer obligated to pay us royalties may also prove, and in the past have proven to be, incorrect. Due to these and other factors, the assets in our current portfolio or future assets may not generate expected returns or returns in line with our historical financial performance or in the time periods we expect. This could negatively impact our results of operation for a given period.

The execution of our strategy could depend on our ability to raise capital in the future, and our inability to do so could prevent us from achieving our growth objectives

We may in the future be required to raise capital through public or private financing or other arrangements in order to pursue our growth strategy or operate our businesses. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm our business or our ability to execute our strategy. Further, debt financing may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Information about the biotechnology and pharmaceutical products underlying the royalties we buy may be limited and therefore our ability to analyze each product and its potential future cash flow may be similarly limited

We may have limited information concerning the products generating the royalties we are evaluating for acquisition. Often, the information we have regarding products following our acquisition of a royalty may be limited to the information that is available in the public domain. Therefore, there may be material information that relates to such products that we would like to know but do not have and may not be able to obtain. For example, we do not always know the results of studies conducted by developers or marketers of the products or others or the nature or amount of any complaints from doctors or users of such products. In addition, the market data that we obtain independently may also prove to be incomplete or incorrect.

When conducting due diligence and making an assessment regarding an investment in a royalty or other asset, we must rely on resources available to us, including information provided by the royalty owner or borrower, information filed with various government regulators, publicly available information and information that is made directly available to our manager by third parties. Further, a product may not have a history of cash flows to allow our manager to

conduct comprehensive due diligence and assess its potential risks and liabilities. As such, our manager may not be in a position to confirm the completeness, genuineness or accuracy of such information and data.

We cannot guarantee that our manager's due diligence investigation will reveal or highlight all relevant facts that may be necessary or helpful in evaluating any investment opportunity. Due to these and other factors, the actual cash flow from a royalty may be significantly lower than our estimates. Any failure by our manager to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on our financial condition, results of operations and prospects.

Biotechnology and pharmaceutical products are subject to substantial competition

The biotechnology and pharmaceutical industry is a highly competitive and rapidly evolving industry. The length of any product's commercial life cannot be predicted with certainty. There can be no assurance that one or more products on which we are entitled to a royalty will not be rendered obsolete or non-competitive by new products or improvements on which we are not entitled to a royalty made to existing products, either by the current marketer of such products or by another marketer. Current marketers of products may undertake these development efforts in order to improve their products or to avoid paying our royalty. Competition, obsolescence, governmental and regulatory action, or healthcare policy changes could significantly affect the revenues, including royalty-related revenues, of the products underlying our royalties.

The products include pharmaceuticals, medical devices and diagnostics, animal health products and drug delivery technologies, which are subject to intense competition with other similar products in the rapidly evolving biotechnology and pharmaceutical industry. The length of any product's commercial life cannot be predicted. Each product is subject to competition from alternative products, procedures, potential cures, or new categories of therapies that are available on the market or may in the future be developed or become available as the biotechnology and pharmaceutical industry is rapidly evolving. Competition may reduce the number of products sold or reduce the price at which the marketer decides to sell a product. This may ultimately lead to the product being rendered non-competitive, ineffective or obsolete.

The alternative products may adversely affect sales of a product, especially if these alternatives are more effective, safer, cheaper, more convenient, or otherwise superior. Sales of the products and the marketers' ability to maintain their competitive positions are partly dependent on the success of marketers' respective marketing efforts. These efforts often rely, in part, on the strength and reputation of a product's brand name and underlying trademarks, trade names and related intellectual property. A marketer's activities in both marketing the products and protecting its intellectual property are outside our control. A marketer's failure either to market the products actively and effectively or to diligently protect its intellectual property rights could reduce its competitive position.

Competitive factors affecting the market position and success of each product include:

- therapeutic effectiveness of the product, including effectiveness as compared to alternative treatments;
- safety risks or concerns and side effect profile;
- doctors' or patients' preference or confidence in the product;
- price, including third-party insurance reimbursement policies;
- timing and introduction of the product;
- the therapeutic class of the product;
- laws and regulations impacting the product;
- effectiveness of marketing strategy and execution;
- governmental regulation and policy;
- availability of lower-cost generics and/or biosimilars or other alternative treatments;
- intellectual property and regulatory protection;
- treatment innovations that eliminate or minimize the need for a product;
- product liability claims;
- other new information uncovered or discovered about the product.

The biotechnology and pharmaceutical products underlying our royalties may be rendered obsolete or non-competitive by new products, including generics and/or biosimilar versions of the products, improvements on existing products, new treatment innovations, non-drug treatment interventions or governmental or regulatory action. Although products may hold patent or statutory marketing protection that confers exclusive rights, a regulatory authority in the United States, European Union or elsewhere may authorize a third party to market a generic substitute or biosimilar version of a product, or a third party may otherwise circumvent any exclusive rights. In these cases, the product would become subject to competition from generic or biosimilar products, which may be sold at significantly lower prices than the product. Pressure from the government or third-party payors, such as health maintenance organizations and health insurers, or any other pressure to reduce healthcare and related costs could result in physicians or pharmacies increasingly prescribing, substituting or dispensing generic or biosimilar products competing with a product which may adversely affect the assets linked to that product. All of these competition risks in relation to a product may adversely affect the assets related to that product. The resulting non-performance or underperformance of such asset may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, as biotechnology and pharmaceutical companies increasingly devote significant resources to innovate next-generation products and therapies using gene editing and new curative modalities, such as cell and gene therapy, products on which we have a royalty may become obsolete. These developments could have a material adverse effect on the sales of the biotechnology and pharmaceutical products underlying our royalties, and consequently could materially adversely affect our business, financial condition and results of operations.

We face competition in acquiring assets and locating suitable assets to acquire

There are a limited number of suitable and attractive opportunities to acquire high-quality royalties available in the market. Therefore, competition to acquire such royalties is intense and may increase. We compete with other potential acquirers for these opportunities, including companies that market the products on which royalties are paid, financial institutions and others. These competitors may be able to access lower cost capital, may be larger than us, may have relationships that provide them access to opportunities before us, or may be willing to acquire royalties for lower projected returns than we are. These competitors may invest in potential investments before we are able to do so or their offers may drive up the prices of potential investments, thereby potentially lowering returns and, in some cases, rendering them unsuitable for investment by us.

An inability to source investments would have an adverse effect on our financial condition, results of operations and prospects.

Marketers of the products underlying our royalties are outside of our control

We receive royalty streams which may consist of royalties and other forms of revenue which are paid directly or indirectly by marketers or, in the case of debt assets, of interest payments and other forms of payment which are paid by borrowers or royalty owners relying on corresponding payments by marketers. These marketers may have interests that are different from our interests. For example, these marketers may be motivated to maximize income by allocating resources to other products and, in the future, may decide to focus less attention on the products generating our royalties or by allocating resources to develop products that do not generate royalties to us. There can be no assurance that any marketer or person with whom the marketer has a working relationship has adequate resources and motivation to continue to produce, market and sell the products generating our royalties. Aside from any limited audit rights relating to the activities of the marketers that we may have in certain circumstances pursuant to the terms of our arrangements with the licensor, we do not have oversight rights with respect to the marketers' operations and do not have rights allowing us to direct their operations or strategy nor do our agreements contain performance standards for their operations. We also have limited information on the marketers' operations.

In these circumstances, while we may be able to receive certain information relating to sales of products through the exercise of audit rights and review of royalty reports we receive from the licensor, we may not have the right to review or receive certain information relating to products that the marketers may have, including the results of any studies conducted by the marketers or others, or complaints from doctors or users of products. The market performance of the products generating our royalties may therefore be diminished by any number of factors relating to the marketers that are outside of our control.

We may rely on leverage to fund some or all of our royalty acquisition strategy

DRI Capital Funds have used leverage in the past and we expect to continue using leverage in the future. The use of leverage creates an opportunity for an increased return but also increases the risk of loss if our assets do not generate sufficient income to us. Securitization indebtedness has allowed DRI Capital to accelerate the return of invested equity for the DRI Capital Funds, grow the funds' royalty portfolio, optimize the cost of capital and create value for fund investors. If we are unable to access the asset-backed securities market to obtain financing to fund our planned indebtedness on terms acceptable to us, or at all, we may not be able to complete the acquisition of additional royalties in the manner we currently expect to, which may adversely impact our ability to replace maturing royalties, the growth of our royalty portfolio, royalty income and cash flows, our financial performance and our distributions to unitholders.

In addition, interest expense and other costs incurred in connection with such borrowings may not be covered by the income from our assets. Agreements governing borrowings may impose operating and financial restrictions on us which could affect the number and size of the royalties that we may pursue and our ability to make distributions. Therefore, no assurance can be given that we will be able to take advantage of favorable conditions or opportunities as a result of any restrictive covenants under our indebtedness. There can also be no assurance that additional debt financing, either to replace or increase existing debt financing, will be available when needed or, if available, will be obtainable on terms that are commercially reasonable.

Our royalties may be used as collateral for our borrowings and in the event of a default under any of our secured borrowings, one or more of our creditors or their assignees could obtain control of our royalties and, in the event of a distressed sale, these creditors could dispose of these royalties for significantly less value than we could realize for them. In addition, because certain of our outstanding securitization borrowing uses LIBOR as a factor in determining the applicable interest rate, the expected discontinuation and transition away from LIBOR may increase the cost of servicing our debt, lead to higher borrowing costs and have an adverse effect on our results of operations and cash flows.

Our business is subject to interest rate and foreign exchange risk

The interest rate for certain of the securitization senior notes within the DRI Capital Funds that we will indirectly acquire as part of the Closing Transactions borrow are not fixed, but rather vary from time to time in relation to overall market interest rates. We are exposed to interest rate fluctuations through certain senior notes pursuant to our securitization program that do not bear interest at a fixed rate and we may be exposed under other borrowings in the future and our investments in money market accounts and marketable securities, the majority of which bear a variable interest rate. To the extent that interest rates generally increase, our borrowing costs will increase and our leverage strategy will become more costly, leading to diminished net profits.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt asset indirectly (especially in the case of fixed rate debt assets) and directly (especially in the case of debt assets whose rates are adjustable) or may impact our borrowing costs. In general, rising interest rates will negatively impact the price of a fixed rate debt asset and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In addition, interest rate increases generally will increase the interest carrying costs to us (or any entity through which we invest) of leveraged investments.

Our royalties are generally paid to us in U.S. dollars, however, in respect of certain royalties, payments may be converted into one or more other currencies prior to conversion back to U.S. dollars before being paid to us. In addition, our results of operations are subject to foreign currency exchange risk through transactional exposure resulting from movements in exchange rates between the time we recognize royalty income and the time at which the transaction settles, or we receive the royalty payment. Because we are entitled to royalties on worldwide sales for various products, there is an underlying exposure to foreign currency as the marketer converts payment amounts from local currencies to U.S. dollars. In this respect, we are subject to foreign currency risk. Our principal currency exposure is to the Euro, the Japanese Yen and the British Pound. Therefore, cash received may differ from the estimated receivable based on fluctuations in currency. As a result, significant changes in foreign exchange rates can impact our results.

Although the DRI Capital Funds have entered into, and we may in the future enter into, derivative transactions in order to mitigate the effect of interest rate fluctuations and foreign exchange rate fluctuations, these mitigations may be

insufficient in order to entirely protect us from interest rate and foreign currency fluctuations. We may be unable to undertake such transactions in the future. If we are unable to undertake such transactions where desirable, our financial performance could be adversely impacted.

Acquisitions of royalties on development-stage biotechnology and/or pharmaceutical product candidates and the acquisition of royalties on approved biotechnology and/or pharmaceutical products whose success is dependent on further development are subject to a number of uncertainties

We may in the future acquire royalties on development-stage product candidates that have not yet received marketing approval by any regulatory authority and on approved products whose success is dependent on further clinical development. There can be no assurance that the FDA, the EMA or other regulatory authorities will approve such products or that such products will be brought to market, or that further clinical development will proceed in a timely manner or at all, or that the market will be receptive to such products. If the FDA, the EMA or other regulatory authority approves a development-stage product candidate underlying our royalty, the manufacturing, distribution, pricing, labeling, packaging, market surveillance, adverse reaction reporting, advertising and promotion for the product will be subject to extensive and ongoing regulatory requirements. The subsequent discovery or observance of previously unknown risks associated with the use of the product, including previously unknown contraindications, interactions, side effects or adverse reactions of unanticipated severity or frequency, may result in restrictions on the marketing of the product, and could include withdrawal of the product from the market.

In addition, the developers of these development-stage product candidates may not be able to raise additional capital to continue their discovery, development and commercialization activities, which may cause them to delay, reduce the scope of, or eliminate one or more of their research and development programs or clinical trials. If other product developers introduce and market products that are more effective, safer or less expensive than the relevant products underlying our royalties, or if such developers obtain approval for or introduce their products into the market prior to the competing products underlying our royalties, the royalty generating products may not achieve commercial success, resulting in a loss for us.

Further, the developers of the products underlying our royalties may not have sales, marketing or distribution capabilities in some or all of the jurisdictions where these products are approved. If no sales, marketing or distribution arrangements can be made on acceptable terms or at all, the affected product may not be able to be successfully commercialized, which will result in a loss for us. Losses from such assets could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that our assumptions will prove correct, that regulatory authorities will approve such development-stage product candidates, that such development-stage product candidates will be brought to market in a timely manner or at all, or that such products will achieve commercial success.

Future investments in debt instruments are subject to credit risk

We may in the future invest in or acquire indebtedness of various entities, including inventors and biotechnology or pharmaceutical companies, including debentures, promissory notes, credit agreements or other forms of borrowing. Our investment in debt instruments will be subject to credit risks. Credit risks refer to the likelihood that the borrower will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt asset may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations, which may be rated by rating agencies, are often reviewed and may be subject to downgrade.

Future investments in securities of royalty counterparties are subject to various risks

We may in the future seek to further expand our market opportunity by acquiring securities issued by biotechnology or pharmaceutical companies or others in the pharmaceutical value chain. Where we acquire equity securities, the value of those securities will fluctuate and may depreciate in value. In some cases, acquisitions of securities or other business interests or assets may be unlisted and otherwise illiquid and difficult to value. The valuation of these businesses, securities and assets is subject to a significant amount of subjectivity and discretion. There is no guarantee that we will realize the fair value of these assets on their purchase or sale. Further, such

illiquidity will limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. Further, we will not control the company in which we acquire securities, and as a result, we may have limited ability to determine its management, operational decisions and policies.

The marketers of biotechnology and pharmaceutical products are, generally, entirely responsible for the ongoing regulatory approval, commercialization, manufacturing and marketing of products

Generally, the holders of royalties on products have granted exclusive regulatory approval, commercialization, manufacturing and marketing rights to the marketers of such products. The marketers have full control over those efforts and sole discretion to determine the extent and priority of the resources they will commit to their program for a product. Accordingly, the successful commercialization of a product depends on the marketer's efforts and is beyond our control. If a marketer does not devote adequate resources to the ongoing regulatory approval, commercialization and manufacture of a product, or if a marketer engages in illegal or otherwise unauthorized practices, the product's sales may not generate sufficient royalties, or the product's sales may be suspended, and consequently, could adversely affect our business.

The insolvency of a marketer could adversely affect our receipt of cash flows on the related royalties that we hold

If a marketer were to become insolvent and seek to reorganize under applicable bankruptcy, insolvency or creditor protection legislation, such event could delay or impede the payment of the amounts due under a license agreement, pending a resolution of the insolvency proceeding. In the case of any debt assets that we may acquire or that may participate in the royalty stream payment chain, we will be indirectly exposed through the borrower to the marketer's or such other party's solvency. Any unpaid royalty payments due for the period prior to the filing of the bankruptcy proceeding would be unsecured claims against the marketer, which might not be paid in full or at all. While royalty payments due for periods after the filing may qualify as administrative expenses entitled to a higher priority, the actual payment of such post-filing royalty payments could be delayed for a substantial period of time and might not be in the full amount due under the license agreement. The licensor would be prevented by the automatic stay from taking any action to enforce its rights without the permission of the bankruptcy court. In addition, the marketer could elect to reject the license agreement, which would require the licensor to undertake a new effort to market the applicable product with another distributor. Such proceedings could adversely affect the ability of a payor to make payments with respect to a royalty, or where the asset is a debt asset, indirectly as a result of the impact on a borrower's ability to pay the interest or repay the principal on the debt asset, and could consequently adversely affect our business, financial condition and results of operations.

Unsuccessful attempts to acquire new royalties could result in significant costs and negatively impact subsequent attempts to locate and acquire other assets

The investigation of each specific target royalty and the negotiation, drafting and execution of relevant agreements, disclosure and other documents requires substantial management time and attention and results in substantial costs for consultants, lawyers and others. If a decision is made not to complete a specific acquisition, the costs incurred for the proposed transaction would not be recoverable from a third party and would be payable by us. Furthermore, even if an agreement is reached relating to a specific target asset, we may fail to consummate the acquisition for any number of reasons, including, in the case of an acquisition of a royalty through a business combination with a public company, approval by the target company's public shareholders. Multiple unsuccessful attempts to acquire new royalties could hurt our reputation, result in significant costs and consumer our manager's time. The opportunity cost of diverting management and financial resources could negatively impact our ability to locate and acquire other assets.

Sales of the products underlying our royalties are subject to uncertainty related to healthcare reimbursement policies, managed care considerations and pricing pressures

In both the U.S. and non-U.S. markets, sales of medical, biotechnology and pharmaceutical products, and the success of such products, depends in part on the availability and extent of coverage and reimbursement from third-party payors, including government healthcare programs and private insurance plans.

In the United States, pharmaceutical product pricing is subject to enhanced government regulation, public scrutiny and calls for reforms. Some states have implemented, and other states are considering, pharmaceutical price controls or

patient access constraints under their Medicaid program. There have also been recent state legislative efforts that have generally focused on increasing transparency around drug costs or limiting drug prices. On September 13, 2020, the President of the United States made an executive order entitled, "Executive Order on Lowering Drug Prices by Putting America First", which contains a substantial list of potential policy changes intended to lower drug costs. Some pharmaceutical companies have in the past responded to executive action by taking voluntary action to reduce drug prices. For example, Pfizer, Merck and Novartis all froze drug prices in 2018. These or similar voluntary actions could have an adverse impact on our performance.

In response to various policies supported by the President of the United States' administration, certain pharmaceutical companies have voluntarily offered to observe a period of time in which the prices of pharmaceuticals will not be increased or provide increased disclosure with respect to pricing, for example, through transparency reports. Political pressure may lead to unpredictable responses in the healthcare marketplace, and there can be no guarantee with respect to how healthcare companies and the government will address such pressure. In addition, the United States presidential and congressional elections occurred in November 2020. The results of the election could result in significant policy changes with respect to the approach to regulation of biotechnology and pharmaceutical products, price and other aspects of the industry that could adversely impact the measures noted above, which could adversely affect our business. Accordingly, certain political and economic shifts may have deleterious effects on our assets which are beyond our control.

In addition, the growth of large managed care organizations and prescription benefit managers, as well as the prevalence of generic substitution, has hindered price increases for prescription drugs. Continued intense public scrutiny of the price of drugs, together with government and payor dynamics, may limit the ability of producers and marketers to set or adjust the price of products based on their value. There can be no assurance that new or proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable the producer or marketer of such product to maintain price levels sufficient to realize an appropriate return. Outside the United States, numerous major markets, including the European Union, Japan and China, have pervasive government involvement in funding healthcare, and, in that regard, fix the pricing and reimbursement of pharmaceutical products. Consequently, in those markets, the products generating our royalties are subject to government decision-making and budgetary actions.

These pricing pressures may have a material adverse effect on our current royalties and the attractiveness of future acquisitions of royalties.

The products underlying our royalties are subject to uncertainty related to the regulation of the healthcare industry

The U.S. healthcare industry is highly regulated and subject to frequent and substantial changes. For example, the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the "**ACA**") was enacted by Congress in March 2010 and established a major expansion of healthcare coverage, financed in part by a number of new rebates, discounts, and taxes that had a significant effect on the expenses and profitability on the companies that manufacture the products underlying our royalties. These companies and their products face uncertainty due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA.

The FDA has previously communicated an effort to expand generic pharmaceutical competition and competition in general, which may cause price compression for certain drugs. The FDA is increasing generic competition through proposals such as modifying Risk Evaluation and Mitigation Strategy (REMS) requirements, issuing a public list of brand name drug manufacturers that have impeded generic alternatives, and establishing a working group to consider importation of sole source drugs that have no blocking patents or exclusivity.

Other U.S. federal or state legislative or regulatory action and/or policy efforts could adversely affect the healthcare industry, including, among others, general budget control actions, imposing most-favoured nation pricing limitations, changes in patent laws, the importation of prescription drugs from outside the United States at prices that are regulated by governments of various foreign countries, revisions to reimbursement of biotechnology and pharmaceutical products under government programs, restrictions on U.S. direct-to-consumer advertising or limitations on interactions with healthcare professionals. No assurances can be provided that these laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

In addition, many of the products in our portfolio benefit from regulatory exclusivity. If, in an effort to regulate pricing, regulatory exclusivity is not maintained, our business, financial condition and results of operations may be adversely impacted.

The biotechnology and pharmaceutical industry may be negatively affected by U.S. federal government deficit reduction policies, which could reduce the value of the royalties that we hold

In an effort to contain the U.S. federal deficit, the pharmaceutical industry could be considered a potential source of savings via legislative proposals. Government action to reduce federal spending on entitlement programs, including Medicare, Medicaid or other publicly funded or subsidized health programs, or to lower drug spending, may affect payment for the products underlying our royalties. These and any other cost controls and/or any significant additional taxes or fees that may be imposed on the biotechnology and pharmaceutical industry as part of deficit reduction efforts could reduce cash flows from our royalties and therefore have a material adverse effect on our business, financial condition and results of operations.

Sales of products underlying our royalties are subject to regulatory approvals and actions in the United States and foreign jurisdictions that could harm our business

The procedures to approve biotechnology and pharmaceutical products for commercialization vary among countries and can involve additional testing and time. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval and many include additional risks, such as pricing approval.

There can be no assurance that any of these regulatory approvals will be granted or not be revoked or restricted in a manner that would have a material adverse effect on the sales of such products and on the ability of payors to make payments with respect to such royalties to us.

The success of certain of our investments may be dependent upon certain products obtaining approvals from regulatory authorities. We may make investments in assets related to products undergoing development or clinical trials that have not yet received marketing approval by any regulatory authority. The research, development, preclinical and clinical trials, manufacturing, labelling, and marketing related to a biotechnology or pharmaceutical company's products are subject to extensive regulatory approval processes by the FDA, EMA, or other regulatory agencies. We will be exposed to products which are at the later stages of development and are yet to receive approval from the relevant regulatory authority although we will also be exposed to products which have been approved and are market-ready. For those products which are still under development, however, the process for obtaining required regulatory approvals is very lengthy, costly, and uncertain. There can be no assurance that the FDA, EMA, or other regulatory authorities will approve such products, or that such products will be brought to market in a timely manner or at all. If a company is unable to obtain necessary regulatory approvals in a timely fashion or at all, or if after approval for marketing a product is later shown to be ineffective or to have unacceptable side effects not discovered during testing, there may be adverse effects on the returns generated from the asset(s) to which such product relates. The resulting non-performance or underperformance of such asset(s) may have a material adverse effect on our business, financial condition, results of operations and prospects.

The manufacture and distribution of a biotechnology and pharmaceutical products may be interrupted by regulatory agencies or supplier deficiencies

The manufacture of products generating our royalties is typically complex and is highly regulated. In particular, biotechnology and pharmaceutical products are manufactured in specialized facilities that require the approval of, and ongoing regulation by, the FDA in the United States and, if manufactured outside of the United States, both the FDA and non-U.S. regulatory agencies, such as the EMA. With respect to a product, to the extent that operational standards set by such agencies are not adhered to, manufacturing facilities may be closed or production interrupted until such time as any deficiencies noted by such agencies are remedied.

Any closure or interruption of a facility may interrupt, for an indefinite period of time, the manufacture and distribution of a product and therefore the cash flows from the related biotechnology or pharmaceutical asset may be significantly less than expected.

In addition, manufacturers of a product may rely on third parties for selected aspects of product development, such as packaging or to supply bulk raw material used in the manufacture of such product. In the United States, the FDA requires that all suppliers of pharmaceutical bulk materials and all manufacturers of pharmaceuticals for sale in or from the United States adhere to the FDA's current "Good Manufacturing Practice" regulations and guidelines and similar requirements that exist in jurisdictions outside the United States. Licensees generally rely on a small number of key, highly specialized suppliers, manufacturers and packagers. Any interruptions, however minimal, in the operation of these manufacturing and packaging facilities could have a material adverse effect on production and product sales and therefore a material adverse effect on our business, financial condition and results of operations.

Product liability claims or recalls may diminish the returns on biotechnology and pharmaceutical products

The developer, manufacturer or marketer of a product could become subject to product liability claims, including claims in a class action proceeding. A product liability claim, regardless of its merits, could adversely affect the sales of the product and the amount of any related royalty payments, and consequently, could materially adversely affect the ability of a payor to make payments with respect to a royalty.

Although we believe that we will not bear responsibility in the event of a product liability claim against the developer, manufacturer, marketer or other seller of the product underlying our royalty, such claims could materially adversely affect our business, financial condition and results of operations due to the lower than expected royalty income.

Products underpinning the relevant assets generally require regulatory approval. Once a product receives regulatory approval and enters the market, that product may still be subject to withdrawal from the market at the request or direction of the FDA, the EMA or any other relevant regulatory body due to safety, efficacy, supply, manufacturing quality, or other concerns.

In addition, the person or entity responsible for the development, manufacture, supply, marketing and/or sale of a product may voluntarily withdraw the product from the market for medical, technical, regulatory, commercial or other reasons. There can be no assurance that a product will not be withdrawn by the marketer on its own, or at the request or direction of the FDA, EMA, or any other regulatory body. Such withdrawal of a product may have an adverse effect on the royalty streams from the asset(s) linked to that product. For example, Natpara, which is one of the Seed Assets, has been removed from the market in the United States as Takeda Pharmaceutical Company Limited ("**Takeda**"), the parent company of the marketer of Natpara, corrects manufacturing and delivery-related issues associated with the product. Takeda has stated that additional testing and device modifications will likely cause more than a year's delay in bringing Natpara back to U.S. patients, which will materially impact the portion of the Natpara royalty entitlement based on U.S. sales. There can be no certainty as to when Natpara will return to the U.S. market, and, if this situation continues, it may have an adverse effect on our business, financial condition, results of operations and prospects. The resulting non-performance or underperformance of such asset(s) may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are typically not involved in maintaining, enforcing and defending patent rights on products underlying our royalties

Our right to receive royalties generally depends on the existence of valid and enforceable claims of registered and/or issued patents in the United States and elsewhere in the world. The products on which we receive payments are dependent on patent protection and on the fact that the manufacturing, marketing and selling of such products do not infringe, misappropriate or otherwise violate intellectual property rights of third parties. Typically, we have no ability to control the prosecution, maintenance, enforcement or defense of patent rights, but must rely on the willingness and ability of our partners or their marketers to do so. While we believe that these third parties are in the best position and have the requisite business and financial motivation to do so, there can be no assurance that these third parties will vigorously prosecute, maintain, enforce or defend such rights. Even if such third parties seek to prosecute, maintain, enforce or defend such rights, they may not be successful.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has, in recent years, been the subject of much litigation in many jurisdictions globally. Furthermore, changes in patent laws or interpretation of patent laws in the United States and in other

jurisdictions could increase the uncertainties surrounding the successful prosecution of patent applications and the successful enforcement or defense of issued patents by our partners, all of which could diminish the value of patent protection relating to the biotechnology and pharmaceutical assets. As a result, the issuance, scope, validity, enforceability and commercial value of the patent rights of our partners and their marketers are highly uncertain. In addition, such third parties' pending and future patent applications may not result in patents being issued which protect their products, development-stage product candidates and technologies or which effectively prevent others from commercializing competitive products, development-stage product candidates and technologies. Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if the patent applications our partners and their marketers license or own do issue as patents, they may not issue in a form that will provide them with any meaningful protection, prevent competitors or other third parties from competing with them or otherwise provide them with any competitive advantage. Competitors or other third parties may be able to circumvent patents of our partners and their marketers by developing similar or alternative products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and may be challenged in the courts or patent offices in the United States and abroad. Such challenges may, through settlement or court ruling, result in loss of exclusivity or in patent claims being narrowed, invalidated, dedicated or disclaimed (where a patentee chooses to forego all or part of its exclusive rights granted under an issued patent) or held unenforceable, which could limit the ability of our partners and their marketers from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of their products, development-stage product candidates and technologies.

Any loss or reduction in the scope or duration of patent protection for any product underlying our royalties, or any failure to successfully prosecute, maintain, enforce or defend any patents that protect any such product may result in a decrease in the sales of such product and any associated royalties payable to us. Any such event would have a material adverse effect on the ability of the payor to make payments of royalties to us or may otherwise reduce the value of our royalty interest, and could consequently materially adversely affect our business, financial condition and results of operations. In cases where our contractual arrangements with our partner permit us to do so, we could participate in patent suits brought by third parties but this could result in substantial litigation costs, divert management's attention from our core business and there can be no assurance that such suits would be successful.

The existence of third-party patents in relation to products may result in additional costs for the marketer and reduce the amount of royalties paid to us

The commercial success of a product depends, in part, on avoiding infringement, misappropriation or other violations of the intellectual property rights and proprietary technologies of others. Third-party issued patents or patent applications claiming subject matter necessary to manufacture and market a product could exist or issue in the future. Such third-party patents or patent applications may include claims directed to the mechanism of action of a product. There can be no assurance that a license would be available to marketers for such subject matter if such infringement were to exist or, if offered, would be offered on reasonable and/or commercially feasible terms. Without such a license, it may be possible for third parties to assert infringement or other intellectual property claims against the marketer of such product based on such patents or other intellectual property rights.

Even if the marketer was able to obtain a license, it could be non-exclusive, thereby giving its competitors and other third parties access to the same technologies. In addition, if a marketer of a product underlying our royalties is required to obtain a license from a third party, the marketer may, in some instances, have the right to offset the licensing and royalty payments to such third party against royalties that would be owed to our counterparty, which may ultimately reduce the value of our royalty interest. An adverse outcome in infringement or other intellectual property-related proceedings could subject a marketer to significant liabilities to third parties, require disputed rights to be licensed from third parties or require the marketer to cease or modify its manufacturing, marketing and distribution of any affected product, any of which could reduce the amount of cash flow generated by the affected products and any associated royalties payable to us and therefore have a material adverse effect on our business, financial condition and results of operations.

License agreements relating to products have contractual limitations that could impact our royalties and may not cover us for all royalty-related risks

License agreements relating to the products generating our royalties may be terminated, which may adversely affect sales of such products and therefore the payments we receive. For example, under certain license agreements, marketers retain the right to unilaterally terminate the agreements with the licensors. When the last patent covering a product expires or is otherwise invalidated in a country, a marketer may be economically motivated to terminate its license agreement, either in whole or with respect to such country, in order to terminate its payment and other obligations. In the event of such a termination, a licensor may no longer receive all of the payments it expected to receive from the licensee and may also be unable to find another company to continue developing and commercializing the product on the same or similar terms as those under the license agreement that has been terminated.

In addition, license agreements may fail to provide significant protection for the licensor in case of the licensee's failure to perform or in the event of disputes. License agreements which relate to the products underlying our royalties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what the licensor believes to be the scope of its rights to the relevant intellectual property or technology, or decrease the licensee's financial or other obligations under the relevant agreement, any of which could in turn impact the value of our royalties and have a material adverse effect on our business, financial condition, results of operations and prospects. If a marketer were to default on its obligations under a license agreement, the licensor's remedy may be limited either to terminating certain licenses related to certain countries or to generally terminate the license agreement with respect to such country. In such cases, we may not have the right to seek to enforce the rights of the licensor and we may be required to rely on the resources and willingness of the licensor to enforce its rights against the licensee. For example, in 2015, the owner of a key patent for a product underlying a royalty held by a DRI Capital Fund disclaimed its patent and determined to suspend the payment of the royalty. As a result, the DRI Capital fund experienced a cessation of revenue from that royalty and DRI Capital has initiated, and is continuing to pursue, legal action in an effort to recover the lost revenue from the patent owner. The royalty in question does not form part of the Seed Assets, so the outcome of the ongoing legal action will not have any impact on unitholders; however, there can be no assurance that similar third party actions will not occur in the future.

In any of these situations, if the expected payments under the license agreements do not materialize, this could result in a significant loss to us and materially adversely affect our business, financial condition and results of operations.

The purchase and licence agreements for our royalties include representations, warranties and covenants intended to address certain of the risks associated with royalties generally, such as representations and warranties regarding ownership of the royalty interest and the right and power to sell, grant a security interest in, assign or otherwise transfer such royalty interest free and clear of encumbrances. These agreements may also include representations, warranties and covenants intended to address specific issues or risks with respect to the applicable royalty. Such representations, warranties and covenants do not cover every possible risk or contingency that may occur, and in certain cases we may have expressly agreed to assume certain known risks or contingencies as part of the negotiated transaction, and as a result, such risks or contingencies are not covered by such representations, warranties or covenants in the applicable agreement. In addition, representations and warranties may be limited by the knowledge of the seller or specific individuals employed by the seller or contain other limitations. These agreements may also impose restrictions on us, including regarding confidentiality, which may impact our operations and our ability to share information with lenders and securitization note purchasers.

There can be no assurance that, should any of the risks or contingencies, whether or not expressly covered in the purchase agreements, materialize, we will have a cause of action against the seller under the relevant royalty purchase or licence agreement, that such efforts will be successful in obtaining compensation from the seller or, even if successful, that all or any awards will be recoverable (including if the seller does not have sufficient assets to pay the award, in whole or in part). Payment obligations assigned or created in certain agreements may be supported by grants of specified security interests, however, there can be no assurance that these grants of security interests will be effective. Any of the foregoing could result in delays or reductions in the amount of royalty payments we may be entitled to and could have a material adverse effect on our financial condition and results of operations.

Royalty agreement terms may require us to make additional payments to the seller upon the occurrence of certain future events

We have in the past, and may in the future, agree to terms under our royalty purchase or licence agreements that obligate us to make one or more contingent payments to our royalty counterparty upon the occurrence of certain future events relating to the level of revenues or royalties generated by the relevant product. Whether such a payment becomes owing will depend on the level of sales of the underlying product and the amount of royalties we receive and could affect our aggregate return. In addition, if we fail to make a contingent payment when due, such failure could result in an event of default under the applicable royalty agreement, which could materially and adversely affect our royalties and revenues associated with the underlying product(s).

Disclosure of trade secrets of product marketers could negatively affect the competitive position of the products underlying our biotechnology and pharmaceutical assets

The marketers of the products underlying our royalties depend, in part, on trade secrets, know-how and technology, which are not protected by patents, to maintain the products' competitive position. This information is typically protected through confidentiality agreements with parties that have access to such information, such as collaborative partners, licensors, employees and consultants. Any of these parties may breach the agreements and disclose the confidential information or competitors might independently develop or learn of the information in some other way, which could harm the competitive position of the products and therefore reduce the amount of cash flow generated by our royalty interest.

The internal computer systems of our partners may fail or suffer security breaches, which could result in a significant disruption of their ability to operate their business effectively, adversely affect the cash flow generated by the related biotechnology and pharmaceutical products, and adversely affect our business and operating results

The internal computer systems and cloud-based computing services of our partners and those of their current and any future collaborators and other contractors or consultants are vulnerable to damage or interruption from computer viruses, data corruption, cyber-based attacks, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in their operations, it could result in a disruption of their development and commercialization programs and business operations, whether due to a loss of trade secrets or other proprietary information or other similar disruptions. To the extent that any disruption or security breach were to result in a loss of, or damage to, a partner's data or applications, or inappropriate disclosure of confidential or proprietary information, our partners' operations may be harmed and the development and commercialization of their products, development-stage product candidates and technologies could be delayed. Such an event may reduce the amount of cash flow generated by the related biotechnology and pharmaceutical products and therefore have a material adverse effect on our business, financial condition and results of operations.

Cyber-attacks or other failures in telecommunications or information technology systems could result in information theft, data corruption and significant disruption of our business operations

We use information technology systems and networks to process, transmit and store electronic information in connection with our business activities. As use of digital technologies has increased, cyber incidents, including deliberate attacks and attempts to gain unauthorized access to computer systems and networks, have increased in frequency and sophistication. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. We may be subject to these attacks in the future. There can be no assurance that we will be successful in preventing cyber-attacks or mitigating their effects. Any cyber-attack or destruction or loss of data could have a material adverse effect on our business. In addition, we may suffer reputational harm or face litigation as a result of cyber-attacks or other data security breaches and may incur significant additional expense to implement further data protection measures.

Operational risks may disrupt our businesses, result in losses or limit our growth

Federal, provincial state and international laws and regulations relating to data privacy and protection, including the Canadian *Personal Information and Protection and Electronic Documents Act* and equivalent provincial statutes, and other international regulations, such as the European Union's General Data Protection Regulation, can expose us to

enforcement actions and investigations by regulatory authorities, and potentially result in regulatory penalties and significant legal liability, if our information technology security efforts or data privacy and protection compliance efforts fail. In addition, we operate a business that is highly dependent on information systems and technology. Our information systems and technology and that of our manager may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on our business, financial condition and results of operations.

A disaster or a disruption in the public infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could have a material adverse effect on our ability to continue to operate our business without interruption. Our disaster recovery programs and those of our manager may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

In addition, sustaining our growth may require us or our manager to commit additional management, operational and financial resources to identify new professionals to join the team and to maintain appropriate operational and financial systems to adequately support expansion. Due to the fact that the market for hiring talented professionals is competitive, we may not be able to grow at the pace we desire.

When our royalties are classified as intangible assets they are initially measured at fair value and then amortized over their useful life and they are subject to impairment testing, as a result of which our IFRS results of operations can be volatile and unpredictable which could adversely affect the trading price of our units

When we recognize royalty investments as intangible assets based on an analysis under IFRS, they are measured initially at fair value of the consideration paid. Royalty investments are subsequently amortized in expenses over the useful life of the asset and are net of any impairment. The amortization is determined based on the expected pattern of consumption of the future economic benefits embodied in each royalty investment. The expected life of the asset is based upon the contractual terms of the entitlement and is used to determine the expected end date of the royalty entitlement. In accordance with IFRS, royalty investments are tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs of disposal), for each individual asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. We base our impairment calculations on most recent internally or externally sourced forecasts which are based on the full period of the royalty entitlement. As a result, changes in the carrying value of an asset arising from impairment testing can result in an immediate non-cash income statement expense recognition, even though the applicable cash inflows will not be realized for many years into the future. The financial statement impact caused by an impairment could result in a negative perception of our results in a given period, which could cause the price of our units to decline.

Changes in the application of accounting standards issued by the International Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements

Our financial statements are prepared in accordance with IFRS, which is periodically revised, interpreted and/or expanded. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies. It is possible that future accounting standards we are required to adopt may require changes to the current accounting treatment that we apply to our consolidated financial statements and may require us to make significant changes to our systems. Such changes could result in a material adverse impact on our financial condition and results of operations.

If we were determined to be an investment company under the U.S. Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, results of operations and financial condition

We intend to conduct our business so as not to become regulated as an investment company under the U.S. Investment Company Act. An entity generally will be determined to be an investment company for purposes of the

U.S. Investment Company Act if, absent an applicable exemption, (i) it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or (ii) it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the ICA 40% Test.

We do not hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities, and believe that we are not engaged primarily in the business of investing, reinvesting or trading in securities. We believe that, for U.S. Investment Company Act purposes, we are engaged primarily, through one or more of our subsidiaries, in the business of purchasing or otherwise acquiring certain obligations that represent part or all of the sales price of merchandise. Our subsidiaries that are so engaged rely on Section 3(c)(5)(A) of the U.S. Investment Company Act, which, as interpreted by the SEC staff, requires each such subsidiary to invest at least 55% of its assets in "notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services," which we refer to as the ICA Exception Qualifying Assets.

In the past, the SEC staff has indicated in a no-action letter that royalty interests that entitle an issuer to collect royalty receivables that are directly based on the sales price of specific bio technology and pharmaceutical assets that use intellectual property covered by specific license agreements are ICA Exception Qualifying Assets under Section 3(c)(5)(A).

To ensure that we are not obligated to register as an investment company, we must not exceed the thresholds provided by the ICA 40% Test. For purposes of the ICA 40% Test, the term investment securities does not include U.S. government securities or securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on Section 3(c)(1) or Section 3(c)(7) of the U.S. Investment Company Act, such as majority-owned subsidiaries that rely on Section 3(c)(5)(A). We also may rely on Section 3(c)(6), which, based on SEC staff interpretations, requires us to invest, either directly or through majority-owned subsidiaries, at least 55% of our assets in, as relevant here, businesses relying on Section 3(c)(5)(A). Therefore, the assets that we and our subsidiaries hold and acquire may be limited by the provisions of the U.S. Investment Company Act and the rules and regulations promulgated thereunder.

If the SEC or its staff in the future adopts a contrary interpretation to that provided in the prior no-action letter or otherwise restricts the conclusions in the SEC staff's no-action letter such that all or certain royalty interests are no longer treated as ICA Exception Qualifying Assets for purposes of Section 3(c)(5)(A) and Section 3(c)(6), or the SEC or its staff in the future determines that the no-action letter does not apply to some or all types of royalty receivables relating to biotechnology and pharmaceutical assets, our business could be materially and adversely affected. In particular, we could be required to convert to a corporation formed under the laws of the United States or a state thereof (which would likely result in our being subject to U.S. federal corporate income taxation) and to register as an investment company, to change our business to acquire a sufficient amount of ICA Exception Qualifying Assets to satisfy the requirements of Section 3(c)(5)(A) or Section 3(c)(6), to repurchase our securities owned by United States persons who are not qualified purchasers under the U.S. Investment Company Act or to stop all business activities in the United States.

The royalties that we acquire following this offering may fall outside the biotechnology and pharmaceutical industry, and any such assets, and the cash flows therefrom, may not resemble the assets in our current portfolio

We have discretion as to the types of healthcare assets that we may acquire following consummation of this offering. While we expect our manager to acquire assets that primarily fall within the biotechnology and pharmaceutical industry, we are not obligated to do so and may acquire other types of healthcare assets that are peripheral to or outside of the biotechnology and pharmaceutical industry. Consequently, our asset acquisitions following this offering, and the cash flows from such assets, may not resemble those of the assets in our current portfolio. There can be no assurance that assets acquired following this offering will have returns similar to the returns expected of the assets in our current portfolio or be profitable at all.

The current outbreak of the novel coronavirus, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely affect our results of operations, financial condition and cash flows. Further, the spread of the COVID-19 outbreak has caused severe disruptions in the United States and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread to over 100 countries and been declared a global pandemic by the World Health Organization.

The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. COVID-19 or another pandemic could have material and adverse effects on us due to, among other factors:

- a general decline in business activity;
- the destabilization of the markets could negatively impact our partners in the biotechnology and pharmaceutical industry and the sales of products
- difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions which could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis;
- the potential negative impact on the health of our manager's highly qualified personnel, especially if a significant number of them are impacted;
- a deterioration in our ability to ensure business continuity during a disruption;
- interruptions, shortages, delivery delays and potential discontinuation of supply to our partners, which could (i) delay the clinical trials of the development-stage product candidates underlying indications under development for our assets and result in a loss of our market share for products generating our royalties or development-stage product or indication candidates underlying our assets, if approved, and (ii) hinder our partners' ability to timely distribute products generating our royalties and satisfy customer demand;
- travel restrictions, shelter-in-place policies or restrictions and other disruptions, which could cause or continue to cause delays and other direct impacts at our partners' manufacturing sites, which could impact the ability of our partners to manufacture development-stage product candidates underlying our biotechnology and pharmaceutical assets and products generating our royalties; and
- potential interruptions to our partners' clinical trial programs of development-stage product candidates underlying our biopharmaceutical assets, including: (i) the potential diversion of healthcare resources away from the conduct of clinical trials to focus on pandemic concerns; (ii) changes in hospital or research institution policies or government regulations, which could delay or adversely impact our partners' ability to conduct their clinical trials; and (iii) pauses to or delays of trial procedures (particularly any procedures that may be deemed nonessential), patient dosing, shipment of our partners' development-stage product candidates, distribution of clinical trial materials, study monitoring, site inspections and data analysis due to reasons related to the pandemic, each of which could cause or continue to cause a disruption or delay to the development or the approval of development-stage product candidates underlying our biopharmaceutical assets.

The rapid development and fluidity of this situation makes it impossible to predict the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty which could adversely affect our results of operations, financial condition and cash flows.

Legal claims and proceedings could adversely impact our business

We may be subject to a wide variety of legal claims and proceedings. Regardless of their merit, these claims can require significant time and expense to investigate and defend. Since litigation is inherently uncertain, there is no

guarantee that we will be successful in defending ourselves against such claims or proceedings, or that our assessment of the materiality of these matters, including any reserves taken in connection therewith, will be consistent with the ultimate outcome of such matters. The resolution of, or increase in the reserves taken in connection with, one or more of these matters could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We are subject to the anti-corruption laws, as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations

Our operations, including those of our subsidiaries, are subject to a variety of anti-corruption laws, including the Canadian *Corruption of Foreign Public Officials Act* ("**CFPOA**"), U.K. Bribery Act 2010 ("**Bribery Act**"), the U.S. Foreign Corrupt Practices Act of 1977, as amended the ("**FCPA**"), the U.S. domestic bribery statute contained in 18 U.S.C. §201, the U.S. Travel Act, and other anti-corruption laws that apply in countries where we do business. The CFPOA, Bribery Act, FCPA and these other laws generally prohibit us and our employees and intermediaries from authorizing, promising, offering, or providing, directly or indirectly, improper or prohibited payments, or anything else of value, to government officials or other persons to obtain or retain business or gain some other business advantage. Under these requirements, we may also be liable for failing to prevent a person associated with us from committing a bribery offense. We and our commercial partners operate in a number of jurisdictions that pose a risk of potential violations, and we participate in collaborations and relationships with third parties whose corrupt or illegal activities could potentially subject us to liability under anti-corruption laws, even if we do not explicitly authorize or have actual knowledge of such activities. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of Canada, the United States, the United Kingdom and authorities in the European Union, including applicable export control regulations, economic sanctions and embargoes on certain countries and persons, anti-money laundering laws, import and customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws. In addition, as we grow we and/or our manager may become subject to additional regulation in various jurisdictions and may be required to seek local registrations in order to comply with applicable local law and regulation. Additional compliance requirements may demand significant time and attention and may be a distraction to us or our manager's personnel. Such requirements may also create additional compliance costs, any of which could adversely effect our business or financial performance.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the CFPOA, Bribery Act, FCPA or other legal requirements, including Trade Control laws. If we are not in compliance with the CFPOA, Bribery Act, FCPA and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the CFPOA, Bribery Act, FCPA, other anti-corruption laws or Trade Control laws by Canada, the United States, the United Kingdom or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant criminal, civil and administrative sanctions, including monetary penalties, damages, fines, disgorgement, individual imprisonment and exclusion from participation in government-funded healthcare programs, such as Medicare and Medicaid in the United States, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm, and we may be required to curtail or restructure our operations, any of which could adversely affect our ability to operate our business and our results of operations.

The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

The EU directive on alternative investment fund managers (the "AIFM Directive") may significantly increase our compliance costs

The AIFM Directive has been implemented into the national law of the majority of member states of the European Economic Area and the United Kingdom (each an "**AIFM state**"). The AIFM Directive sets out minimum conditions related to the marketing of interests in alternative investment funds (such as our units) in the AIFM states and may impact our ability to attract investors in the AIFM states and may significantly increase our and our manager's compliance costs. Such conditions include requirements for us to register with the competent authority in the relevant AIFM in order to market our units to investors, state requirements to file periodic reports with the competent authority in the relevant AIFM state and requirements to comply with disclosure and reporting obligations in respect of investors in the relevant AIFM state. Such reports and disclosures may become publicly available. While such conditions are met in relation to the AIFM states where our units will be marketed, there can be no guarantee that this will continue to be the case. The AIFM Directive does not, however, prohibit an investor in such AIFM state from subscribing for our units at their own initiative in circumstances where such units have not been marketed in such AIFM state and we may issue our units to such investors, as long as they have provided us and our manager with representations that they have done so at their own initiative.

In each AIFM state, our units may only be offered to investors in accordance with local measures implementing the AIFM Directive. Investors, together with any person making or assisting in the decision to invest in us, who are situated, domiciled or who have a registered office, in an AIFM state where our units are not being offered pursuant to private placement rules implementing the AIFM Directive may invest, or effect an investment in our units, but only in circumstances where they do so at their own initiative. Any investor subscribing for our units at their own initiative in such AIFM state should note that as we have not been registered for marketed in that AIFM state, no reports will be filed with the competent authority in the relevant AIFM state by or in respect of us and no investor shall be entitled to receive any disclosure or report that is mandated in respect of an alternative investment fund being marketed pursuant to the AIFM Directive.

Risks Relating to our Manager

We have no employees and will be entirely dependent upon DRI Capital for all the services we require

Because we are externally managed, we will not employ our own personnel, but will instead depend upon our manager, its executive officers and its employees for virtually all of the services we require. DRI Capital selects and manages the acquisition of royalties and similar payment streams that meet our investment criteria and provides all of our other administrative services. All of our investment and asset management decisions will ultimately be made by our manager (or any delegates thereof) and not by us and, accordingly, we will be completely reliant upon, and our success will depend on, our manager and its personnel, services and resources. Our management agreement has an initial term of 10 years, after which it will automatically be renewed for successive one year terms, unless either we or our manager provides notice of non-renewal 180 days prior the expiration of the initial term or renewal term. Our manager may not be removed during the initial or any renewal term without cause.

Further, our ability to pursue our strategies successfully will depend on the continued service of key personnel of DRI Capital and its ability to recruit individuals of similar experience and calibre. While our manager seeks to ensure that the principal members of its management teams are suitably incentivized, the retention of key members of those teams cannot be guaranteed. There is no guarantee that, following the death, disability or departure from our manager of any key personnel, our manager would be able to recruit a suitable replacement or avoid any delay in doing so. The loss of key personnel and any inability to recruit an appropriate replacement in a timely fashion could have an adverse effect on our financial condition, results of operations and prospects.

There can be no assurance that the policies and procedures we have established to mitigate conflicts of interest will be effective in doing so

The ability of our manager and its officers and employees to engage in other business activities may reduce the amount of time our manager, its officers or other employees spend managing us.

DRI Capital is not currently involved in financial, investment or professional activities, other than managing the DRI Capital Funds whose Seed Assets we will acquire on closing of this offering and certain other funds that are no longer investing capital. Nevertheless, in the future, DRI Capital may be involved in other financial, investment or professional activities and, consequently, our manager may not, and will not be required to, commit all of its resources to our affairs. Insofar as our manager devotes resources to satisfy its responsibilities to other business interests, its ability to devote resources and attention to our affairs will be correspondingly less.

In particular, DRI Capital may provide investment management and related services to other managed entities that may invest in the healthcare space. Our manager has established procedures to address any such potential conflicts of interests. While our manager has such established procedures and will undertake reasonable efforts to identify and manage such conflicts, there can be no assurance that such conflicts will be adequately resolved by the conflicts policy which, in turn, could have an adverse effect our financial condition, results of operations and prospects.

Furthermore, there could be conflicts of interest between us and the senior management of our manager.

In addition, the structure of our manager's compensation arrangements may have unintended consequences for us. We have agreed to pay our manager the Management Fee, a portion of which is based on the mark-to-market value of security investments, including equity securities and derivative financial instruments, at the end of each quarter and is payable to our manager regardless of whether we realize any gain on the security investments when sold. Consequently, our manager may be incentivized to have us make security investments regardless of our expected gain on such investments, which may not align with our or our unitholders' long-term interests.

Further, our manager is entitled to fees based on our performance. The right to these performance fees may create an incentive for our manager to make riskier or more speculative asset acquisitions than would be the case absent such performance fees. In addition, our manager may cause us to incur more debt or otherwise use more leverage in connection with asset acquisitions, as generally the use of leverage can increase the rate of return on an investment and therefore our profits. This performance fee structure may encourage our manager to cause us to borrow money to finance additional asset acquisitions or to maintain leverage which poses higher risks for our business when it would otherwise be appropriate to not use such leverage. There is no correlation between our profits and the obligation of our board of trustees to pay distributions to unitholders. Consequently, you may receive limited or no distributions while our manager remains entitled to performance fees. In addition, even though performance fees are payable on a portfolio-by-portfolio basis (with portfolios comprised of investments made during sequential two-year periods) in order to reduce the risks that our manager will be paid performance fees on individual investments even though our overall portfolio of investments is not performing well, performance fees may nevertheless be payable to our manager when our overall portfolio of investments is not performing as well as the individual portfolios that are used as the basis for measuring the performance fees.

There may be circumstances in which one of our trustees and/or our manager has, directly or indirectly, a material interest in a transaction that we are considering or a conflict of interest with us. Any of our trustees and/or any person connected with them may, from time to time, act as a director or employee of, or invest in or be otherwise involved with: (i) other investment vehicles that have strategies similar to ours; or (ii) entities or other vehicles that are the subject of transactions with us, subject, in both cases and at all times, to the provisions governing such conflicts of interests in our declaration of trust.

The success of our business depends upon key members of our manager's senior advisory team who may not continue to work for our manager

We depend on the expertise, skill and network of business contacts of the advisory professionals of our manager, who evaluate, negotiate, structure, execute, monitor and service our assets in accordance with the terms of the management agreement between us and our manager. Our future success depends to a significant extent on the

continued service and coordination of the senior advisory professionals of our manager. Key advisory professionals may have other demands on their time now and in the future, and we cannot assure you that they will continue to be actively involved in our business. These individuals may be employees of our manager or may be members of our advisory board and may not be subject to an employment contract with us. The departure of any of these individuals or competing demands on their time in the future could have a material adverse effect on our ability to achieve our business objectives. This could have a material adverse effect on our financial condition and results of operations.

The senior advisory professionals of our manager have relationships with participants in the biotechnology and pharmaceutical industry, financial institutions and other advisory professionals, which we rely upon to source potential asset acquisition opportunities. If the senior advisory professionals of our manager fail to maintain such relationships, or to develop new relationships with other sources, we will not be able to grow our current asset portfolio. In addition, we can offer no assurance that these relationships, even if maintained, will generate asset acquisition opportunities for us in the future.

Our manager may be the subject of a change of control resulting in a disruption in our operations that could adversely affect our business, financial condition and results of operations

There could be a change of control of our manager and, in such a case, the new controlling party may have a different philosophy, employ advisory professionals who are less experienced, be unsuccessful in identifying asset acquisition opportunities or have a track record that is not as successful as that of our manager prior to such a change of control. If the foregoing were to occur, we could experience difficulty in making new asset acquisitions, and the value of our existing assets, our business, results of operations and financial condition could materially suffer.

Our manager's liability is limited under the management agreement, and we have agreed to indemnify our manager against certain liabilities. As a result, we could experience unfavorable operating results or incur losses for which our manager would not be liable

Pursuant to the management agreement, or manager will not assume any responsibility other than to render the services called for thereunder. Under the terms of the management agreement, our manager and its members, officers, directors, employees, stockholders, shareholders, partners, consultants and advisors and any other person who is entitled to indemnification (each, an "**Indemnitee**") will not be liable to us or any unitholder, shareholder, partner or equityholder of ours for acts or omissions performed in accordance with and pursuant to the management agreement, except those resulting from acts constituting gross negligence or wilful misconduct.

In addition, to the fullest extent permitted by law, we have agreed to indemnify the Indemnitees from and against all damages, losses and expenses that are incurred by any Indemnitees and arise out of or in connection with our affairs, including acting as a director or the equivalent of ours or any of our subsidiaries or any entity in which we may invest, or the performance by such Indemnitee of any of the services or other functions arising out of or in connection with the management agreement, or otherwise in connection with the matters contemplated in the management agreement other than as a result of: (i) losses arising from such Indemnitee's gross negligence or wilful misconduct, (ii) economic losses incurred by any Indemnitee as a result of the ownership of an interest in us or any of our investments, (iii) the expenses that the members of our Manager are obligated or elect to pay, (iv) our expenses that an Indemnitee has agreed to pay without a right to reimbursement, or (v) disputes exclusively between and among Indemnitees. As a result, we could experience unfavorable operating results or incur losses for which our manager would not be liable.

Risks Relating to Our Structure, Units and this Offering

We are a holding entity with no operations and will rely on our subsidiaries to provide us with funds necessary to meet our financial obligations and to pay distributions

We are a holding entity with no material direct operations. Our principal asset is our ownership of DRI Ireland, which holds an interest in subsidiaries that directly or indirectly hold our royalty assets and other assets that we may invest in. As a result, we will be dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations and to pay distributions on our units. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us

under certain conditions. If the cash we receive from our subsidiaries pursuant to dividend payments is insufficient for us to fund our obligations, or if a subsidiary is unable to pay dividends to us, provided that we have sufficient distributable profits, our net assets exceed the total of our called-up equity capital and distributable reserves and any dividend would not reduce our net assets to less than such total, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets to fund the payment of distributions. However, there is no assurance that we would be able to raise cash by these means. If the ability of any of our subsidiaries to pay dividends or make other distributions or payments to us is materially restricted by regulatory or legal requirements, bankruptcy or insolvency, or our need to maintain our financial strength ratings, or is limited due to operating results or other factors, it could materially adversely affect our ability to pay our operating costs and other expenses and we may be unable to, or our board may exercise its discretion not to, pay distributions.

A return on your investment and our cash distributions are not guaranteed

There can be no assurance regarding the amount of royalty income generated by our royalties. Our ability to make cash distributions, and the actual amount distributed, will be entirely dependent on our operations and assets, and will be subject to various factors, including financial performance, obligations under indebtedness, fluctuations in working capital, the sustainability of royalty income and any capital expenditure requirements. Our units are equity securities and are not traditional fixed income securities. Unlike fixed-income securities, we are not obligated to distribute any fixed amount to unitholders and there is no promise to return the initial purchase price of a unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time that would reduce the yield based on the Offering Price. The market value of the units will deteriorate if we are unable to meet our distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. Whether our annual cash distributions are sufficient to cover a particular Canadian resident unitholder's Canadian income tax liability will be dependent on our distribution policy at any time, which is subject to change as noted above, and the unitholder's particular circumstances, including the marginal tax rate applicable to distributions that it receives. See "Certain Canadian Federal Income Tax Considerations". Therefore, the rate of return over a defined period for a unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Our ability to pay periodic and other distributions to our unitholders may be limited by applicable provisions of Canadian law, our declaration of trust and contractual restrictions and obligations

Subject to the terms of our indebtedness or other contractual obligations, the approval and payment of any distributions will be at the sole discretion of our board of trustees, which may change our distribution policy at any time. There can be no assurance that any distributions, whether quarterly or otherwise, will or can be declared or paid. Our ability to pay distributions to our unitholders will depend on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our business and acquisition opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our unitholders and such other factors as our board of trustees may deem relevant.

There may not be an active trading market for our units, which may cause our units to trade at a discount from the initial offering price and make it difficult to sell the units that you purchase

Prior to this offering, there has not been a public trading market for our units. We cannot predict the extent to which investor interest in us will lead to the development of a trading market or how liquid that market may become. It is possible that after this offering an active trading market will not develop or, if one does develop, it may not be sustained, which would make it difficult for you to sell your units at an attractive price or at all. The initial public offering price per unit will be determined by agreement among us and the Underwriters and may not be indicative of the price at which our units will trade in the public market after this offering.

The market price of our units may decline due to the large number of units eligible for future sale or future offerings of debt securities by us

The market price of our units could decline as a result of sales of a large number of units in the market after this offering or the perception that such sales could occur. These sales, or the possibility that these sales could occur, also

may make it more difficult for us to sell units in the future at a time and at a price that we deem appropriate. Subject to the lock-up restrictions described under "Plan of Distribution", we may issue and sell in the future additional units.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our units, the trading price and trading volume of our units could decline

The trading market for our units will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our units or publishes inaccurate or unfavorable research about our business, the market price of our units may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our units to decline and our units to be less liquid.

We have broad discretion in the use of our cash and cash equivalents and may not use them effectively

We will have broad discretion in the application of our cash, cash equivalents and investments, and could spend such funds in ways that do not improve our results of operations or enhance the value of our units. The failure by management to apply these funds effectively could result in financial losses that could have a material adverse impact on our business, cause the price of our units to decline, and interfere with our ability to acquire royalty assets. Pending their use, we may invest our cash and cash equivalents in a manner that does not produce income or that loses value.

The market price of our units may be volatile, which could cause the value of your investment to decline

Even if a trading market develops, the market price of our units may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including:

- market conditions in the broader stock market in general, in the biotechnology and pharmaceutical industry or in the royalty business in particular;
- variations in our quarterly or annual operating results or dividends to unitholders;
- additions or departures of key management personnel at our manager;
- failure to meet analysts' earnings estimates;
- publication of research reports about our industry;
- third-party healthcare reimbursement policies and practices;
- litigation and government investigations;
- changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business;
- no results, or projected results, from marketers of products underlying our royalties;
- results from, and any delays to, the clinical trial programs of development-stage product candidates underlying any future biopharmaceutical assets that we may invest in or other issues relating to such products, including regulatory approval or commercialization;
- adverse market reaction to any indebtedness that we may incur or securities we may issue in the future;
- changes in market valuations of similar companies or speculation in the press or investment community;
- announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- litigation;
- economic and political conditions or events; and
- adverse publicity about the industries in which we participate or individual scandals.

These and other factors may cause the market price of and demand for our units to fluctuate significantly, which may limit or prevent you from reselling your units at or above the initial public offering price.

The stock market in general has from time to time experienced extreme price and volume fluctuations, including in recent months. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Future offerings of debt or equity securities by us may adversely affect the market price of our units

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional units or offering debt or other equity securities, including securitizations, commercial paper, medium-term notes, senior or subordinated notes, or debt securities convertible into equity. Future acquisitions or other investments could require substantial additional capital in excess of cash from operations. We would expect to finance the capital required for acquisitions through a combination of additional issuances of equity, corporate indebtedness, asset-backed financing and/or cash from operations.

Issuing additional units or other equity securities or securities convertible into equity may dilute the economic and voting rights of our unitholders at the time of such issuance or reduce the market price of our units or both. Upon liquidation, holders of debt securities and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our units. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. Thus, holders of our units bear the risk that our future offerings may reduce the market price of our units and dilute their unit holdings in us. See "Description of Equity Capital."

Unitholders will be subject to restrictions on their ability to redeem units

It is anticipated that the redemption right attached to the units will not be the primary mechanism by which unitholders liquidate their investment. The entitlement of unitholders to receive cash upon the redemption of their units is subject to the following limitations: (i) the total amount payable by the Trust in respect of such units and all other units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the trustees); (ii) on the date such units are tendered for redemption, the outstanding units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the trustees consider, in their sole discretion, provides representative fair market value prices for the units; (iii) the normal trading of units is not suspended or halted on any stock exchange on which the units are listed (or, if not listed on a stock exchange, in any market where the units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the units must not result in the delisting of the units from the principal stock exchange on which the units are listed.

Units do not represent a direct interest in royalties or our other assets

The units represent a fractional interest in the Trust and do not represent a direct investment in the Trust's assets and should not be viewed by investors as direct securities of the Trust's subsidiaries or royalties. A holder of a unit does not hold a share of a body corporate. As holders of units, the unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of unitholders are based primarily on the declaration of trust. There is no statute governing the affairs of the Trust equivalent to the *Business Corporations Act* (Ontario) or the CBCA that sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the Trust may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada), and thus the treatment of unitholders upon an insolvency of the Trust is uncertain.

Units are structurally subordinated to indebtedness

In the event of bankruptcy, liquidation or reorganization of the Trust's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries

before any assets are made available for distribution to the Trust or unitholders. The units are effectively subordinated to the debt and other obligations of the Trust's subsidiaries. The Trust's subsidiaries generate all of our cash available for distribution and hold substantially all of our assets.

Unitholders will have limited control over the Trust

Unitholders will have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in the Trust. Our board of trustees will determine major policies, including policies regarding financing, growth, debt capitalization, qualification as a "mutual fund trust" and distributions to unitholders. Our board of trustees may amend or revise these and other policies without a vote of unitholders. Pursuant to the declaration of trust, unitholders have a right to vote only on limited matters. The trustees' broad discretion in setting policies and unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in us.

Unitholders could be found to be liable for the obligations of the Trust

The declaration of trust provides that no unitholder will be subject to any liability whatsoever to any person in connection with the holding of a unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the Trust to be remote in the circumstances, that a unitholder could be held personally liable for the obligations of the Trust to the extent that claims are not satisfied out of the assets of the Trust. It is intended that the affairs of the Trust will be conducted to seek to minimize such risk wherever possible.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members

As a public entity, we will be subject to continuous disclosure requirements under applicable Canadian laws. The requirements of these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. After the closing of this offering, we will be obligated to file with Canadian securities regulators annual and interim period information and other reports that are specified in applicable Canadian laws and therefore will need to have the ability to prepare financial statements that are compliant with all such reporting requirements on a timely basis. In addition, we will be subject to other reporting and corporate governance requirements, which will impose significant compliance obligations upon us. Applicable Canadian laws require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required, and management's attention may be diverted from other business concerns.

We expect our compliance with the requirements under applicable Canadian laws to increase our legal and financial compliance costs and to make some activities more time consuming and costly. We also expect these rules and regulations may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of trustees or as executive officers. We are currently evaluating these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Failure to establish and maintain effective internal control over financial reporting in accordance with applicable Canadian laws could have a material adverse effect on our business, reputation and the trading price of our units

We have not previously been required to comply with the requirements of applicable Canadian laws, including the internal controls evaluation and certification requirements of such laws. Accordingly, our internal control over financial reporting do not currently meet all of the standards contemplated by such laws that we will eventually be required to meet. We are in the process of addressing our internal control over financial reporting and are establishing formal policies, processes and practices related to financial reporting and to the identification of key financial reporting risks, assessment of their potential effect and linkage of those risks to specific areas and activities within our organization.

During the course of our ongoing evaluation and integration of the internal control over financial reporting, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review.

Risks Relating to Taxation

Our structure involves complex provisions of tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis

The tax treatment of unitholders and us (including the Irish and U.S. federal income tax treatment) depends in some instances on determinations of fact and interpretations of complex provisions of applicable tax law for which no clear precedent or authority may be available. You should be aware that our tax position is not free from doubt, and that applicable tax rules are generally subject to review by persons involved in the legislative process and the relevant tax authorities, which could result in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The present tax treatment of an investment in our units and of our operations may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. No ruling will be sought from the any relevant tax authority regarding any of the tax issues discussed herein, and no assurance can be given that the relevant tax authorities will not challenge any of our tax positions and that such challenge would not succeed. If any such position is successfully challenged, our tax liabilities could materially increase, which would have an adverse effect on our profitability, cash flows and the value of your investment in our units.

There have been significant changes both made and proposed to international tax laws that increase the complexity, burden and cost of tax compliance for all multinational groups. The Organization for Economic Co-operation and Development ("**OECD**") is continuously considering recommendations for changes to existing tax laws. Any such changes could have a material and adverse effect on our profitability, cash flows and the value of your investment in our units. We expect to continue to monitor these and other developments in international tax law.

We expect to be classified as a PFIC for U.S. federal income tax purposes, which could subject U.S. Holders of units to adverse U.S. federal income tax consequences

Special U.S. federal income tax rules apply to U.S. persons owning stock of a passive foreign investment company ("**PFIC**"). In general, a PFIC is any foreign corporation with respect to which either 75% or more of the gross income for a taxable year constitutes passive income for purposes of the PFIC rules or 50% or more of such foreign corporation's assets in any taxable year (generally based on the quarterly average of the value of its assets) are held for the production of passive income. We generally expect that the Trust's income, which consists primarily of passive royalty income and interest income, and the Trust's assets, which consists primarily of assets that produce passive royalty income and interest income, will satisfy these tests and result in the Trust being treated as a PFIC. There are no minimum stock ownership requirements for PFICs. Thus, if the Trust is classified as a PFIC for any year during which a U.S. Holder holds units, the PFIC rules generally will apply to such U.S. Holder for such taxable year and, unless the U.S. Holder makes certain elections, will apply in future years during which the U.S. Holder holds such units even if the Trust ceases to be classified as a PFIC.

A "U.S. Holder" is a beneficial holder of Units that is, for U.S. federal income tax purposes: (a) an individual citizen or resident of the United States; (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust if (i) the trust is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If the Trust is classified as a PFIC for any taxable year during which a U.S. Holder holds units and any subsidiary the Trust owns is also classified as a PFIC (a "lower-tier PFIC") then, under certain indirect ownership rules, a U.S. Holder would also be subject to the PFIC rules in connection with its indirect investment in such lower-tier PFIC. It is currently anticipated that DRI Healthcare will file an IRS 'check-the-box' election to be treated as a disregarded entity

for U.S. federal income tax purposes and not as a corporation or an association taxable as a corporation whose separate existence is respected for U.S. federal income tax purposes. It is also currently anticipated that none of the Trust's subsidiaries will be lower-tier PFICs, but there can be no assurances in this regard and this may change in the future. There can also be no assurances that the Trust will not invest in a lower-tier PFIC in the future. Prospective investors in units should consult their tax advisors regarding the application of the indirect PFIC rules to such holders in their particular circumstances and be willing to assume the risks of investing in a PFIC that has a PFIC subsidiary.

In general, there are three separate taxation regimes under the PFIC rules. If a U.S. Holder does not make a "qualified electing fund" ("**QEF**") election or a mark-to-market election with respect to units, such holder will be subject to the default "excess distribution regime" under the PFIC rules with respect to (i) any gain realized on a sale or other disposition (including a pledge) of units, and (ii) any "excess distribution" received on units (generally, "excess distributions" are any distribution in excess of 125% of the average of the annual distributions on units during the preceding three years or a U.S. Holder's holding period, whichever is shorter). Generally, under this excess distribution regime: (a) the gain or excess distribution will be allocated rateably over the period during which a U.S. Holder held its units; (b) the amount allocated to the current taxable year (and to taxable years in the U.S. Holder's holding period, if any, prior to the first taxable year in which the Trust is classified as a PFIC) will be taxed as ordinary income; and (c) the amount allocated to each other taxable year will be taxed as ordinary income in the taxable year during which the gain is realized or distribution is made at the highest tax rate in effect for the U.S. Holder in that other taxable year and will also be subject to an interest charge as if the income tax liabilities had been due with respect to each such prior year. If the Trust is classified as a PFIC for any taxable year during which a U.S. Holder holds units and any subsidiary of the Trust is also classified as a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. As a result, such U.S. Holder may incur liability for the deferred tax and interest charge described above in respect of a lower-tier PFIC if either (i) the Trust receives any excess distribution from, or disposes of all or part of its interests in, a lower-tier PFIC or (ii) the U.S. Holder disposes of all or part of its units.

As an alternative to the excess distribution regime, a U.S. Holder may, provided certain requirements are met, elect to be subject to the QEF regime or the mark-to-market regime applicable to PFICs. A U.S. Holder that so elects may be required to report taxable income or gain without corresponding receipts of cash distributions from the Trust. It is possible that a U.S. Holder's U.S. federal income tax liability with respect to such income or gain inclusions for any applicable taxable period may exceed the amount of cash received from the Trust during such period. If a U.S. Holder does not make election to treat the Trust as a QEF or a mark-to-market election with respect to units, such U.S. Holder will be subject to the default "excess distribution regime" under the PFIC rules. The Trust intends to make the information that a U.S. Holder making a QEF election with respect to the Trust is required to obtain for U.S. federal income tax purposes available to U.S. Holders on an annual basis. U.S. Holders are urged to consult their tax advisor regarding the availability and desirability of making any such election having regard to such holder's particular circumstances.

In addition, a U.S. Holder of units will be required to file an annual report on IRS Form 8621 containing such information with respect to its interest in a PFIC as the IRS may require. Failure to file IRS Form 8621 for each applicable taxable year may result in substantial penalties and result in the U.S. Holder's taxable years being open to audit by the IRS until such Forms are properly filed.

The application of the PFIC rules to an investment in units is complex and, accordingly, U.S. Holders are urged to consult their own tax advisors regarding the impact that these rules may have on a U.S. Holder having regard to such holder's particular circumstances, including the availability and effect of a QEF election or a mark-to-market election, coordination rules applicable to the excess distribution regime, QEF regime and mark-to-market regime, as well as the potential impact of the indirect PFIC rules.

The application of the PFIC rules to U.S. Holders considering an investment in our units could cause U.S. holders to perceive investment in our units to be relatively less attractive than investment in shares of other corporations, and this perception could adversely affect the value of our units.

Distributions that we pay to individual and other non-corporate U.S. Holders will not be eligible for taxation at reduced rates, which could potentially adversely affect the value of your units

Distributions made to non-corporate U.S. Holders will not be eligible for taxation at reduced tax rates generally applicable to dividends paid by certain U.S. corporations and "qualified foreign corporations" because of our expected

status as a PFIC. The more favorable rates applicable to qualifying corporate dividends could cause individuals to perceive investment in our units to be relatively less attractive than investment in shares of other corporations, and this perception could adversely affect the value of our units.

We could be liable for significant taxes due to changes in our eligibility for certain income tax treaty benefits or challenges to our tax positions with respect to the application of income tax treaties

Our subsidiaries expect to receive revenue from both U.S. and non-U.S. sources. We expect that our subsidiaries generally will be eligible for benefits under the applicable income tax treaty. While we believe that our subsidiaries are currently eligible to claim the benefits of applicable income tax treaties, no assurances can be provided in this regard, and it is possible that a taxing authority could successfully assert that any of our subsidiaries does not qualify for treaty benefits as a result of its failure to satisfy the applicable requirements to be eligible to claim treaty benefits. If a taxing authority were to challenge our position regarding the application of an applicable income tax treaty, we could become subject to increased withholding taxes, and such taxes could be significant.

Specifically, with respect to certain U.S.-source income, we expect that DRI Healthcare will be eligible for benefits under the United States Tax Convention with Ireland signed January 1, 1998, as amended (the "U.S.-Ireland Tax Treaty") and will generally not be subject to any U.S. withholding taxes on such U.S.-source payments. There can be no assurance, however, that the IRS will not challenge the position that DRI Healthcare is eligible for the benefits of the U.S.-Ireland Tax Treaty. A substantial portion of our revenue is, and is expected to continue to be, derived from U.S.-source royalties. Therefore, if DRI Healthcare failed to qualify for an exemption from U.S. withholding tax under the U.S.-Ireland Tax Treaty and such royalties were subject to a 30% U.S. withholding tax, our financial position and profitability and the value of your investment in our units could be materially and adversely affected.

Furthermore, in August 2016, the Irish Department of Finance announced that, in the context of the publication by the United States Treasury Department of a revised U.S. Model Income Tax Convention in February 2016, discussions have begun with the United States Treasury on updating certain elements of the U.S.-Ireland Tax Treaty. At this time, it is not clear what elements of the U.S.-Ireland Tax Treaty may be updated, or when any such updates would go into effect. However, certain elements of the revised U.S. Model Income Tax Convention could, if included in an update to the U.S.-Ireland Tax Treaty, result in DRI Healthcare being unable to qualify for the benefits of the U.S.-Ireland Tax Treaty or eliminate or reduce the benefits of the U.S.-Ireland Tax Treaty that otherwise would have been available to us. If DRI Healthcare is unable to qualify for the benefits of the U.S.-Ireland Tax Treaty, or if any benefits of the U.S.-Ireland Tax Treaty that otherwise would have been available to us are eliminated or reduced, then all or a portion of our income may become subject to increased withholding taxes, and such taxes could be very significant.

If we were to become subject to increased withholding taxes, we potentially could reorganize, but no assurance can be provided that any such reorganization transaction could be implemented without triggering any taxable gains to us and/or our unitholders, and such taxable gains could be material.

We could be liable for significant U.S. taxation if our subsidiaries are considered to be engaged in a U.S. trade or business

In general, if a foreign corporation for U.S. federal income tax purposes, such as the Trust, is considered to be engaged in a U.S. trade or business, such corporation's share of any income that is effectively connected with such U.S. trade or business will be subject to regular U.S. federal income taxation (currently imposed at a maximum rate of 21%) on a net basis. In addition, the Trust would potentially become subject to United States branch profits tax on its earnings and profits that are both "effectively connected" with its trade or business in the United States, with certain adjustments, and deemed repatriated out of the United States. It is also possible that such corporation could be subject to taxation on a net basis by state or local jurisdictions within the United States. We believe that the activities of the Trust, as conducted through its subsidiaries, and as currently contemplated, should not constitute being engaged in the conduct of a trade or business within the United States, although there can be no assurance the IRS will not successfully assert that the Trust is engaged in the conduct of a trade or business within the United States. Because we believe that the Trust should not be engaged in the conduct of a trade or business within the United States, we do not expect the Trust to be subject to United States federal income tax (or branch profits tax).

The determination as to whether the Trust is engaged in the conduct of a trade or business within the United States is factual in nature and must be made annually. Neither the Code nor the applicable Treasury regulations provide a

general definition of what constitutes being engaged in the conduct of a trade or business within the United States, and the limited case law on the subject does not provide definitive guidance. The case law that exists generally provides that a foreign corporation will be treated as engaged in the conduct of a trade or business within the United States if it regularly and continuously carries out business activities in the United States. In addition, if any lower-tier partnership or other flow-through entity for U.S. federal income tax purposes in which the Trust holds an interest (such as its subsidiaries) were deemed to be engaged in the conduct of a trade or business within the United States, the Trust will be considered to be so engaged by way of attribution.

If deemed to be engaged in the conduct of a trade or business within the United States, including due to the activities conducted through its subsidiaries, the Trust generally would become subject to United States federal income tax on its taxable income treated as "effectively connected" with such trade or business and potentially become subject to United States branch profits tax. In such case, the Trust may be subject to significant U.S. taxes, plus interest and possible penalties.

Withholding taxes on royalties could reduce the amount of cash available to us

We do not believe that we are subject to any U.S. withholding tax on our royalty income. We may be subject to non-U.S. withholding taxes on a portion of our royalty income but we intend to either use the benefits of the income tax treaties to which we are entitled or available domestic law exemptions to eliminate or reduce such non-U.S. withholding taxes. However, if we are not eligible for the benefits of such income tax treaties (including through adverse changes to the terms of an existing treaty) and no treaty applied to eliminate such withholding tax or such domestic exemptions were no longer available, the amount of cash available to us may be reduced and our financial results may be adversely affected.

An investment in our units is subject to certain Canadian tax considerations

We intend to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects our unitholders. If we cease to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations applicable to us, including the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations", could be materially and adversely different in certain respects.

The SIFT Rules will apply to a trust that is a SIFT or a partnership that is a SIFT. The Trust will not be a SIFT for the purposes of these rules because the Trust and each of our subsidiaries will not invest in any entity other than a "portfolio investment entity" and will not hold any "non-portfolio property" (each as defined in the Tax Act), based on our investment restrictions. If the SIFT Rules were to apply to the Trust, they would have an adverse impact on us and on the distributions received by our unitholders.

Where our net income (including income that is FAPI) and net realized capital gains in a taxation year exceeds the cash we distribute in the year, such excess net income and net realized capital gains will be distributed to our unitholders in the form of additional units. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, in circumstances where they do not directly receive a cash distribution. Although we are of the view that all expenses to be claimed by us and our subsidiaries will be reasonable and deductible and that the cost amount and capital cost allowance claims of entities indirectly owned by us will have been correctly determined, there can be no assurance that the Tax Act, or the interpretation of the Tax Act will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, our taxable income, and indirectly the taxable income of our unitholders, will increase or change. The extent to which distributions will be non-taxable in the future will depend in part on the extent to which entities indirectly owned by us are able to deduct depreciation, interest and loan expenses relating to our properties for purposes of the Tax Act. We will endeavour to ensure that our units continue to be qualified investments for Plans; however, there can be no assurance that this will be so. In addition, Redemption Notes received on a redemption in specie of units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Tax considerations relating to FAPI may affect our financial condition

FAPI of a foreign affiliate and controlled foreign affiliate is generally computed in Canadian currency and in accordance with Part I of the Tax Act as though the affiliate were resident in Canada, subject to the detailed rules contained in the Tax Act. Since DRI Healthcare and its subsidiaries will borrow and make investments in U.S. dollars and FAPI is required to be computed in Canadian dollars, FAPI will include foreign exchange gains that are realized on the repayment of debts and on the disposition of property.

Tax laws or other law or government incentive programs or regulations may change

Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us. Despite a general principle prohibiting retroactive changes, amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on our taxation. Furthermore, court decisions are often overruled by the tax authorities by way of issuing non-application decrees. As a result, uncertainties exist with regard to the taxation rules applicable to us and our subsidiaries. Deviating views adopted by the tax authorities or the tax courts might lead to a higher tax burden for us. Additionally, if adverse changes in the tax framework should occur, or if we are subject to tax audits or reassessments that result in the imposition of taxes individually or together, this could adversely impact our investments, cash flows, operating results or financial condition, our ability to make distributions on our units and our ability to implement our growth strategy.

LEGAL MATTERS AND INTERESTS OF EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of our units, will be passed upon on our behalf by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Torys LLP. As of the date of this prospectus, the partners and associates of each of Osler, Hoskin & Harcourt LLP and Torys LLP beneficially own, directly and indirectly, less than 1% of our outstanding securities and the securities of our associates and affiliates.

Certain information relating to the Fairness Opinion referred to under "Organizational Matters" has been based upon the Fairness Opinion prepared by the Firm. As of the date of this prospectus, the "designated professionals" of the Firm beneficially own, directly and indirectly, less than 1% of our outstanding securities and the securities of our associates and affiliates.

PROMOTER

DRI Capital has taken the initiative in founding and organizing the Trust and is therefore a promoter of the Trust for the purposes of applicable securities legislation. Following completion of this offering, DRI Capital is expected to hold ● of our units, representing approximately ● % of our units expected to be outstanding on closing of this offering, the concurrent private placement and the Closing Transactions. DRI Capital is the manager of the DRI Capital Funds and an investor in certain DRI Capital Funds. DRI Capital will also be our manager and receive compensation for such services. See "Organizational Structure – Purchase Agreements and Liquidation of the DRI Capital Funds" and "Agreements with our Manager".

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this prospectus, there are no material interests, direct or indirect, of any of our trustees or executive officers, any unitholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Related Party Transactions", "Organizational Structure – Purchase Agreements and Liquidation of the Private Funds" and "Agreements with our Manager".

AUDITOR, TRANSFER AGENT AND REGISTRAR

Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario, Canada, is our external auditor and is independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario. The offices of Deloitte LLP are located at 8 Adelaide Street West, Suite 200, Toronto, Ontario, Canada M5H 0A9.

The transfer agent and registrar for our units will be Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

One of our trustees, Paul Mussenden, resides outside of Canada. Although Mr. Mussenden appointed DRI Capital Inc., 1 First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1, as his agent for service of process in Canada, purchasers are advised that it may not be possible for investors to enforce against Mr. Mussenden judgments obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

This prospectus includes a summary description of certain of our material agreements. The summary description discloses all attributes material to an investor in our units but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

The following are our only material contracts that will be in effect on the closing of this offering (other than certain agreements entered into in the ordinary course of business):

(a) the Underwriting Agreement referred to in "Plan of Distribution"; and

(b) the management agreement referred to in "Agreements with our Manager".

Copies of the foregoing documents will be available following the closing of this offering on SEDAR at www.sedar.com.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

EXEMPTIVE RELIEF

We have applied to the Ontario Securities Commission, as principal regulator, for exemptive relief (to be evidenced by the receipt for the final base PREP prospectus filed with the Canadian securities regulatory authorities) from the requirements in Item 32 of Form 41-101F1 as prescribed under National Instrument 41-101 – General Prospectus Requirements, with respect to (i) the general partner of Drug Royalty III, L.P. ("**Fund III GP**"); (ii) LSRC III S.à r.l (Luxembourg)'s 26.93% interest in Drug Royalty III LP 2 (the "**Non-Controlling Interest**"); and the 50% interests in two general partner entities (the "**50% Interests**"), the successor of which will be the general partner of

Drug Royalty III LP 2. As part of the Closing Transactions, we will acquire Fund III GP, the Non-Controlling Interest and the 50% Interests. See "Organizational Structure" and in particular the disclosure under the subheadings "Current Organizational Structure", "Closing Transactions" and "Organizational Structure Following this Offering and the Closing Transactions".

Fund III GP, the Non-Controlling Interest and the 50% Interests would be considered to form part of our primary business for the purposes of applicable securities laws, which would require us to include in this prospectus audited financial statements for Fund III GP, the Non-Controlling Interest and the 50% Interests for the three completed financial years prior to the date of this prospectus, together with interim financial statements for the relevant interim periods. We do not believe such financial statements are necessary or helpful to investors in making an informed investment decision with respect to our units, or are otherwise necessary for this prospectus to contain full, true and plain disclosure of all material facts with respect to our units, for the following reasons: (i) Fund III GP carries on no activities other than acting as the general partner of Drug Royalty III, L.P., has nominal assets and equity and recognized no revenue or expenses in any of the periods for which financial statements would be required; (ii) Drug Royalty III, L.P. has control over Drug Royalty III LP 2 and consolidates 100% of the assets, liabilities and results of operations of Drug Royalty III LP 2; (iii) the historical financial statements of Drug Royalty III, L.P. included in this prospectus reflect 100% of the assets, liabilities, equity and results of operations of the Drug Royalty III Seed Assets, except for certain amounts of royalty income that would only be reflected in carve-out financial statements of the Non-Controlling Interest for certain periods during 2017 and 2018 when the Non-Controlling Interest holder directly held its portion of certain royalty assets prior to its transfer to Drug Royalty III LP 2, which amounts we do not consider to be material; and (iv) the 50% Interests are not material because the related general partners carried on no activities other than acting as general partner of Drug Royalty III LP 2 and Drug Royalty III LP 1, respectively, have nominal assets and equity and either recognized no revenue or expenses, or immaterial revenue or expenses, in any of the periods for which financial statements would be required. This portion of cash royalty receipts was received during the period when the non-controlling interest holder directly held its portion of such royalty assets prior to its transfer to Drug Royalty III LP 2.

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Consolidated Financial Statements of

DRI Healthcare Trust

December 31, 2020

DRI HEALTHCARE TRUST

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Independent Auditor's Report

To the Unitholder of
DRI Healthcare Trust

Opinion

We have audited the consolidated financial statements of DRI Healthcare Trust (the "Trust"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in unitholder's equity (deficit) and cash flows for the period from October 21, 2020 (date of formation) to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020, and its financial performance and its cash flows for the period from October 21, 2020 (date of formation) to December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 10, 2021

DRI HEALTHCARE TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

(Expressed in U.S. dollars)

	December 31, 2020
	$
Assets	
Current assets	
Cash and cash equivalents	10
Total current assets	**10**
Total assets	**10**
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	362
Total current liabilities	**362**
Total liabilities	**362**
Unitholder's deficit	**(352)**
Total liabilities and unitholder's deficit	**10**

The accompanying notes to the financial statements are an integral part of these consolidated financial statements.

DRI HEALTHCARE TRUST

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the period from October 21, 2020 (date of formation) to December 31, 2020

(Expressed in U.S. dollars)

	For the period from October 21, 2020 (date of formation) to December 31, 2020
	$
Income	**—**
Expenses	
Operating expenses	362
	362
Net loss and comprehensive loss	**(362)**
Attributable to:	
Unitholder of the Trust	(362)
Net loss and comprehensive loss	**(362)**

The accompanying notes to the financial statements are an integral part of these consolidated financial statements.

DRI HEALTHCARE TRUST

CONSOLIDATED STATEMENT OF UNITHOLDER'S EQUITY (DEFICIT)
For the period from October 21, 2020 (date of formation) to December 31, 2020
(Expressed in U.S. dollars)

	2020
	$
Unitholder's equity, October 21, 2020 (date of formation)	**—**
Net loss for the period	(362)
Issuance of unit on formation	10
Unitholder's deficit, December 31, 2020	**(352)**

The accompanying notes to the financial statements are an integral part of these consolidated financial statements.

DRI HEALTHCARE TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from October 21, 2020 (date of formation) to December 31, 2020

(Expressed in U.S. dollars)

	2020
	$
Operating activities	
Net loss for the period	(362)
Adjusted for following	
Increase in accounts payable and accrued liabilities	362
	—
Investing activities	
Acquisition of DRI Healthcare ICAV	(2)
Acquisition of cash of DRI Healthcare ICAV	2
	—
Financing activities	
Issuance of Units	10
	10
Net change in cash	**10**
Cash, beginning of period	—
Cash, end of period	**10**

The accompanying notes to the financial statements are an integral part of these consolidated financial statements.

1. Organization

Drug Royalty Healthcare Trust (the "Trust") is a mutual fund trust created under the laws of Ontario pursuant to a Declaration of Trust dated October 21, 2020.

In connection with the formation of the Trust, the initial unitholder contributed $10 in cash to the Trust in exchange for one unit of the Trust.

The address of the Trust's registered office is First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

The Trust's wholly owned subsidiary DRI Healthcare ICAV (the "ICAV"), is an Irish collective asset management vehicle established under the laws of Ireland and authorized by the Central Bank of Ireland. The address of ICAV is 1-2 Victoria Buildings, 2nd Floor, Haddington Road, Dublin 4, Ireland. The Trust invested $2 on October 21, 2020 to acquire its interest in the ICAV.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Trust, and they are consolidated from the date on which control is transferred to the Trust until the date that control ceases. Balances and transactions between the Trust's subsidiaries have been eliminated on consolidation.

On loss of control of a subsidiary, the Trust derecognizes the assets and liabilities of the entity, and any related non-controlling interests and equity. Any gain or loss is recognized in the consolidated statement of income and comprehensive income and any retained interests measured at fair value at the date of loss of control. Changes in the Trust's interest that do not result in a loss of control are accounted for as equity transactions.

3. Summary of significant accounting policies

These financial statements have been prepared using the accounting policies described below:

(a) Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary, DRI Healthcare ICAV.

Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Trust controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

All intercompany transactions and balances have been eliminated upon consolidation.

(b) Unitholder's equity

The Trust is authorized to issue an unlimited number of units ("Units") which have the right to participate pro rata in any distribution by the Trust and in the event of termination of the Trust in the net Trust property. All units rank equally. The Trust classifies issued Units as equity in the statement of financial position. The Trust has classified the Units as equity pursuant to the provisions of IAS 32, *Financial Instruments: Presentation,* on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption".

The criteria in IAS 32 are as follows:

- The Units entitle the unitholder to a pro rata share of the Trust's net assets in the event of the Trust's termination or windup. The Trust's net assets are those assets that remain after deducting all other claims on its assets;
- The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;

3. Summary of significant accounting policies (continued)

(b) Unitholder's equity (continued)

- All instruments (including these Units) in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments; and
- The total expected cash flows attributable to the Units over their life are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the Units.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising from the issue of Units are recognized directly in unitholder's equity as a reduction of the proceeds received.

4. Contingent liabilities

Upon the successful completion of the initial public offering, as described in Note 5, the Trust is expected to have an estimated obligation of $1,961,199 related to transaction costs incurred during the period from October 21, 2020 (date of formation) to December 31, 2020. These transaction costs have been incurred by DRI Capital Inc., a company related to the Trust by common management, on behalf of the Trust and are payable upon successful completion of the initial public offering. Proceeds from the initial public offering will be used to settle these transaction costs as well as additional equity issuance costs which are expected to be incurred to complete the initial public offering.

5. Subsequent events

The Trust has entered binding subscription agreements for the purchase of an aggregate of $34,730,000 of units pursuant to a private placement offering. Closing of the private placement is conditional upon completion of the initial public offering of the Trust. On February 10, 2021, the Trust filed a prospectus with the securities regulatory authorities in each of the provinces of Canada in connection with an initial public offering of units of the Trust. Upon completion of the initial public offering, the Trust will purchase the assets and liabilities of several legal entities managed by DRI Capital Inc., Drug Royalty Fund I, Drug Royalty III LP, and royalty assets from RMF 2 Co-Investment Fund Portfolio.

Unaudited pro forma consolidated financial statements of

DRI Healthcare Trust

As at and for the nine months ended September 30, 2020,
and the year ended December 31, 2019

DRI HEALTHCARE TRUST

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020

(Expressed in U.S. dollars)

	DRI Healthcare Trust	Drug Royalty Fund I	Drug Royalty III, L.P.	RMF 2 Co-Investment Fund Portfolio	Sub-Total	Note	Pro Forma adjustments	Pro Forma
	$	$	$	$	$		$	$
Assets								
Current assets								
Cash and cash equivalents	10	99,388	1,964,848	29,872	2,094,118	3(a),(b)	107,084,418	109,178,536
Funds held in trust	—	—	16,626,738	—	16,626,738	3(a)	13,503,643	30,130,381
Royalties receivable	—	6,249,197	32,445,710	1,600,955	40,295,862	3(a)	1,642,218	41,938,080
Accounts receivable	—	—	326	1,668	1,994	3(a),(b)	105,401	107,395
Prepaid expenses and other assets	—	63,990	147,949	3,872	215,811	3(a),(b)	(54,996)	160,815
Total current assets	10	**6,412,575**	**51,185,571**	**1,636,367**	**59,234,523**		**122,280,684**	**181,515,207**
Non-current assets								
Royalty investments, at net book value	—	41,876,521	168,793,383	1,313,977	211,983,881	3(a)	93,563,845	305,547,726
Restricted cash	—	—	2,264,340	—	2,264,340	3(a)	(648,466)	1,615,874
Fair value of interest rate swap	—	—	2,392	—	2,392	3(a)	(456)	1,936
Fair value of foreign exchange swap	—	—	487,169	—	487,169	3(a)	(269,649)	217,520
Total non-current assets	**—**	**41,876,521**	**171,547,284**	**1,313,977**	**214,737,782**		**92,645,274**	**307,383,056**
Total Assets	**10**	**48,289,096**	**222,732,855**	**2,950,344**	**273,972,305**		**214,925,958**	**488,898,263**
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	362	101,224	1,414,544	33,406	1,549,536	3(a),(b),(c)	21,856,461	23,405,997
Due to RMF 2 Co-Investment, GP, Ltd.	—	—	—	6,155	6,155	3(b)	(6,155)	—
Secured notes payable	—	—	51,476,145	—	51,476,145	3(a)	(6,295,315)	45,180,830
Total current liabilities	**362**	**101,224**	**52,890,689**	**39,561**	**53,031,836**		**15,554,991**	**68,586,827**
Non-current liabilities								
Secured notes payable	—	—	46,019,482	—	46,019,482	3(a)	(3,950,880)	42,068,602
Total non-current liabilities	**—**	**—**	**46,019,482**	**—**	**46,019,482**		**(3,950,880)**	**42,068,602**
Total Liabilities	**362**	**101,224**	**98,910,171**	**39,561**	**99,051,318**		**11,604,111**	**110,655,429**
Equity								
Unitholder's equity (deficit)	(352)	—	—	—	(352)	3(c)	378,243,186	378,242,834
Partners' Equity	—	48,187,872	90,992,654	—	139,180,526	3(c)	(139,180,526)	—
Net parent investment	—	—	—	2,910,783	2,910,783	3(c)	(2,910,783)	—
Non-controlling interest	—	—	32,830,030	—	32,830,030	3(c)	(32,830,030)	—
Total Equity	**(352)**	**48,187,872**	**123,822,684**	**2,910,783**	**174,920,987**		**203,321,847**	**378,242,834**
Total Liabilities and Equity	**10**	**48,289,096**	**222,732,855**	**2,950,344**	**273,972,305**		**214,925,958**	**488,898,263**

See accompanying notes to the unaudited pro forma consolidated financial statements

DRI HEALTHCARE TRUST

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the nine month period ended September 30, 2020

(Expressed in U.S. dollars)

	DRI Healthcare Trust	Drug Royalty Fund I	Drug Royalty III, L.P.	RMF 2 Co-Investment Fund Portfolio	Sub-Total	Note	Pro Forma adjustments	Pro Forma
	$	$	$	$	$		$	$
Income								
Royalty income	—	10,727,612	79,346,670	4,480,213	94,554,495		—	94,554,495
Interest and other income	—	—	92,622	5,467	98,089		—	98,089
	—	**10,727,612**	**79,439,292**	**4,485,680**	**94,652,584**		—	**94,652,584**
Expenses								
Amortization of royalty investments	—	2,624,718	40,543,761	1,754,693	44,923,172	3(f)	(12,062,527)	32,860,645
Reversal of impairment of royalty investments	—	—	(1,028,942)	—	(1,028,942)		—	(1,028,942)
Interest expense and finance fees	—	—	4,173,889	—	4,173,889		—	4,173,889
Servicer fees	—	—	1,200,000	—	1,200,000		—	1,200,000
Performance fees	—	—	—	591,502	591,502	3(d)	(591,502)	—
Management fees	—	—	—	—	—	3(e)	5,622,950	5,622,950
Operating expenses	362	300,907	1,227,276	56,453	1,584,998		—	1,584,998
Net change in unrealized depreciation of interest rate swap	—	—	5,528	—	5,528		—	5,528
Net change in unrealized depreciation of foreign exchange swaps	—	—	430,005	—	430,005		—	430,005
Net realized gain on foreign exchange swap	—	—	(342,818)	—	(342,818)		—	(342,818)
	362	**2,925,625**	**46,208,699**	**2,402,648**	**51,537,334**		**(7,031,079)**	**44,506,255**
Net income (loss) and comprehensive income (loss)	**(362)**	**7,801,987**	**33,230,593**	**2,083,032**	**43,115,250**		**7,031,079**	**50,146,329**
Earnings per unit, basic and diluted						3(g)		**1.25**
Weighted average number of units outstanding, basic and diluted						3(g)		**40,100,000**

See accompanying notes to the unaudited pro forma consolidated financial statements

DRI HEALTHCARE TRUST

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31, 2019

(Expressed in U.S. dollars)

	DRI Healthcare Trust	Drug Royalty Fund I	Drug Royalty III, L.P.	RMF 2 Co-Investment Fund Portfolio	Sub-Total	Note	Pro Forma adjustments	Pro Forma
	$	$	$	$	$		$	$
Income								
Royalty income	—	30,906,643	144,300,491	33,950,473	209,157,607		—	209,157,607
Interest and other income	—	54,918	969,129	65,997	1,090,044		—	1,090,044
	—	**30,961,561**	**145,269,620**	**34,016,470**	**210,247,651**		—	**210,247,651**
Expenses								
Amortization of royalty investments	—	12,933,318	82,631,024	13,174,658	108,739,000	3(f)	(37,768,629)	70,970,371
(Reversal of) impairment of royalty investments	—	(406,307)	9,880,791	—	9,474,484		—	9,474,484
Interest expense and finance fees	—	54,571	10,285,629	—	10,340,200		—	10,340,200
Servicer fees	—	265,000	1,600,000	—	1,865,000		—	1,865,000
Performance fees	—	—	—	6,666,174	6,666,174	3(d)	(6,666,174)	—
Management fees	—	—	—	—	—	3(e)	18,222,190	18,222,190
Operating expenses	—	497,631	2,659,759	60,975	3,218,365		—	3,218,365
Net change in unrealized (appreciation) depreciation of interest rate swap	—	(10,580)	152,517	—	141,937		—	141,937
Net change in unrealized depreciation of foreign exchange swaps	—	—	489,000	—	489,000		—	489,000
Net realized gain on foreign exchange swap	—	—	(633,056)	—	(633,056)		—	(633,056)
	—	**13,333,633**	**107,065,664**	**19,901,807**	**140,301,104**		**(26,212,613)**	**114,088,491**
Net income and comprehensive income	**—**	**17,627,928**	**38,203,956**	**14,114,663**	**69,946,547**		**26,212,613**	**96,159,160**
Earnings per unit, basic and diluted						3(g)		**2.40**
Weighted average number of units outstanding, basic and diluted	—					3(g)		**40,100,000**

See accompanying notes to the unaudited pro forma consolidated financial statements

DRI HEALTHCARE TRUST

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

(Expressed in U.S. dollars)

1. Basis of presentation

DRI Healthcare Trust (the ‘‘Trust’’) is an unincorporated open-ended trust created pursuant to a Declaration of Trust dated October 21, 2020 under the laws of the Province of Ontario.

The unaudited pro forma consolidated financial statements have been prepared by management for inclusion in the prospectus (the ‘‘Prospectus’’), relating to the proposed issue and sale of units (the ‘‘Units’’) of the Trust (the ‘‘Offering’’), and reflects the proposed acquisition of royalty assets owned by certain private funds managed by DRI Capital Inc. (the “Seed Assets”). The Trust will purchase Drug Royalty Fund I, Drug Royalty III, L.P. and an interest in assets from RMF 2 Co-Investment Fund Portfolio, for cash consideration using the proceeds from the Offering (the “Acquisition”).

The unaudited *pro forma* consolidated financial statements have been prepared based on and should be read in conjunction with the following financial statements:

- the audited December 31, 2020 consolidated financial statements of the Trust;
- the September 30, 2020 unaudited interim condensed combined and consolidated financial statements of Drug Royalty Fund I, and the December 31, 2019 audited combined and consolidated financial statements of Drug Royalty Fund I;
- the September 30, 2020 unaudited interim condensed consolidated financial statements of Drug Royalty III, L.P., and the December 31, 2019 audited consolidated financial statements of Drug Royalty III, L.P.; and
- the September 30, 2020 unaudited interim condensed carve-out financial statements of RMF 2 Co-Investment Fund Portfolio, and the December 31, 2019 audited carve-out financial statements RMF 2 Co-Investment Fund Portfolio, included elsewhere in this Prospectus.

The unaudited pro forma consolidated statement of financial position as at September 30, 2020 gives effect to the Offering and the Acquisition as if they had occurred on September 30, 2020.

The unaudited pro forma consolidated statements of net income and comprehensive income for the nine months ended September 30, 2020 and the year ended December 31, 2019 give effect to the Offering and the Acquisition as if they had occurred on January 1, 2019.

The unaudited pro forma consolidated financial statements have been prepared based on available information and on assumptions that we believe are reasonable under the circumstances in order to reflect, on a pro forma basis, the impact of the Offering and the Acquisition on the historical financial information. Information on assumptions and adjustments are described in the notes to the unaudited pro forma financial statements below. The unaudited pro forma financial statements have been prepared using the significant accounting policies as set out in Note 2, which are consistent with the accounting policies of the Trust.

The unaudited pro forma consolidated financial statements are presented in United States dollars (“USD”), which is the Trust’s functional currency.

The unaudited pro forma consolidated financial statements are not necessarily indicative of the results that would have occurred had the Offering and the Acquisition been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the Trust.

(Expressed in U.S. dollars)

2. Summary of significant accounting policies

These unaudited pro forma consolidated financial statements have been prepared using the accounting policies described below, in accordance with International Financial Reporting Standards:

(a) Consolidation

Subsidiaries

The unaudited pro forma consolidated financial statements include the accounts of the Trust and the following entities giving effect to the Acquisition:

Entity	Organized Under	Economic Interest (held directly and/or indirectly
Drug Royalty LP 2	Delaware (USA)	100%
Drug Royalty LP 1	Delaware (USA)	100%
Drug Royalty LP 3	Cayman Islands	100%
Drug Royalty III, L.P.	Delaware (USA)	100%
Drug Royalty III LP 2	Delaware (USA)	100%
Drug Royalty III LP 1	Delaware (USA)	100%
ROC Royalties S.à r.l.	Luxembourg	100%
DRC Springing III LLC	Delaware (USA)	100%
DRC Management III LLC 1	Delaware (USA)	100%
DRC Management III LLC 2	Delaware (USA)	100%
RMF 2 Co-Investment Fund Portfolio	Barbados	100%
DRI Healthcare ICAV	Ireland	100%

Control is achieved when the Trust is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Trust controls an investee if, and only if, the Trust has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and short-term deposits with terms of three months or less on the date of acquisition.

(c) Royalties receivable

Royalties receivable are recognized initially at fair value and are subsequently measured at amortized cost.

At each reporting date, the Trust measures loss allowance on royalty receivables at an amount equal to the lifetime expected credit loss given the term of the receivables is 12 months or less. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance might be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

(d) Royalty income

The Trust records the amount of royalty payments received or receivable as royalty income. The Trust typically earns royalties as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalties are tied to the subsequent sales by the third party. The third parties, however, report and pay royalties owed for sales in any given quarter after the conclusion of that quarter, and, in some instances, although royalties are reported quarterly, payment is on a semi-annual or annual basis.

The Trust estimates and records the royalty income earned for sales by third parties in the period in which such sales occur, based on reasonable estimates of such amounts. When reasonable estimates cannot be made, the Trust records income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties.

2. Summary of significant accounting policies (continued)

(d) Royalty income (continued)

The Trust's royalty income is based on the contractual rights to revenue streams which are based on the related underlying patent and/or exclusivity protection of the pharmaceutical products invested in by the Trust.

(e) Royalty investments

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

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized in expenses over the useful life of the asset and shown net of any impairment.

The Trust amortizes royalty investments with a finite useful life on a systematic basis over its expected life. The amortization is determined based on the expected pattern of consumption of the future economic benefits embodied in each royalty investment. The expected life of the asset is based upon the contractual terms of the entitlement and is used to determine the expected end date of the royalty entitlement. Expected useful life is separately considered for each royalty investment and is reviewed at the end of each reporting period.

(f) Impairment of royalty investments

Royalty investments are tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs of disposal), for each individual asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount.

In assessing value in use, 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. The Trust bases its impairment calculation on most recent internal prepared or externally sourced forecasts which are based on the full period of the royalty entitlement.

A previously recognized impairment loss is assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the intangible asset's adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

(g) Derivative financial instruments

The Trust enters into a variety of derivative financial instruments such as foreign exchange swaps and interest rate swaps to manage its exposure to risks, such as foreign exchange risks and interest rate risk.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Trust has not formally designated any hedge relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(h) Foreign currency translation and transactions

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

(i) Income taxes

No Canadian or United States federal income taxes have been provided for by the Trust in the accompanying financial statements as the entity is considered a Trust for Canadian and United States tax purposes that is not subject to federal income taxes unless otherwise elected. Income from the Trust is included in the tax returns of the unitholders.

(j) Fair value measurement

The Trust reports in accordance with the provisions of IFRS 13, *Fair Value Measurement* ("IFRS 13"). Under IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. Summary of significant accounting policies (continued)

(j) Fair value measurement (continued)

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

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

(k) Financial instruments

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

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

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

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

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(l) Acquisitions

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

When determining whether the acquisition of a royalty investment or a portfolio of royalty investments is a business combination or an asset acquisition, the Trust applies judgement as to whether an integrated set of activities is acquired in addition to the portfolio of royalty

(Expressed in U.S. dollars)

2. Summary of significant accounting policies (continued)

(l) Acquisitions (continued)

investments. The Trust also considers the optional concentration test under IFRS 3 that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. If the acquisition is determined to be a business, it is accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in the statement of net income as incurred.

When an acquisition does not represent a business, the Trust classifies these portfolio of royalty investments as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their cost at the date of acquisition, which is their fair value. Acquisition-related transaction costs are capitalized to the royalty investments.

3. Pro forma assumptions and adjustments

The unaudited pro forma consolidated financial statements reflect the following assumptions and adjustments to give effect to the Offering and the Acquisition as if it had occurred on September 30, 2020 for the pro forma consolidated statement of financial position, and January 1, 2019 for the pro forma consolidated statement of net income. Assumptions and adjustments made are as follows:

(a) Upon completion of the initial public offering and the concurrent private placement, the Trust is expected to receive cash proceeds of $400,000,000 (reflecting the issuance of ● Trust units at a price of $ ● per unit for the initial public offering and ● Trust units at a price of $ ● per unit for the concurrent private placement) and use $292,669,843 of the proceeds of this offering to acquire the assets owned by certain private funds managed by DRI Capital Inc. ("DRI"). The Trust will purchase Drug Royalty Fund I, Drug Royalty III, L.P. and the royalty assets from RMF 2 Co-Investment Fund Portfolio.

The table below presents preliminary fair value estimates of the assets acquired and the liabilities assumed as a result of the Acquisition, reconciled to the total estimated purchase consideration. The fair value of royalty investments is estimated based on discounted expected future cash flows from royalty investments. For the purposes of these unaudited pro forma consolidated financial statements, the fair values are preliminary and may change materially upon completion of the Acquisition. The final fair value of the net assets to be acquired will ultimately be determined after the closing of the Acquisition. Therefore, it is likely that the purchase price, including cash consideration, and the fair values of assets acquired and liabilities assumed may vary materially from the values shown in the pro forma financial statements.

	$
Cash and cash equivalents	1,848,369
Funds held in trust	30,130,381
Royalties receivable	41,938,080
Accounts receivable	107,395
Prepaid expenses and other assets	160,815
Royalty investments	305,547,726
Restricted cash	1,615,874
Fair value of interest rate swap	1,936
Fair value of foreign exchange swap	217,520
Accounts payable and accrued liabilities	(1,648,821)
Secured notes payable – current portion	(45,180,830)
Secured notes payable – long-term portion	(42,068,602)
Net identifiable assets acquired	292,669,843
Total estimated purchase consideration	292,669,843

(b) To eliminate $29,872 in cash, $1,668 in accounts receivable, $3,872 in prepaid expenses and other assets, $33,406 in accounts payable and accrued liabilities and $6,155 in due to RMF 2 Co-Investment, GP, Ltd., related to the RMF 2 Co-Investment Fund Portfolio. In accordance with a purchase and sale agreement as part of the Acquisition, the Trust will only be acquiring the royalty investments and related royalties receivable from RMF 2 Co-Investment Fund Portfolio and will not be acquiring any working capital as part of the Acquisition.

(c) The pro forma adjustments to equity include the following:

- Elimination of $174,921,339 of historical equity in Drug Royalty Fund I, Drug Royalty III, L.P. and RMF 2 Co-Investment Fund Portfolio, including $32,830,030 of historical non-controlling interest related to the Seed Assets as the non-controlling interest held by LSRC III S.à r.l. is being acquired by Drug Royalty III, L.P. as part of the Acquisition.
- Issuance of capital from the initial public offering and the concurrent private placement of $400,000,000 less equity-issuance costs associated with the offering of $21,756,814 including underwriting fees, legal fees, translation fees and filing and listing fees, for net equity of $378,243,186 .

3. Pro forma assumptions and adjustments (continued)

(*d*) To eliminate performance fees associated with the Seed Assets of $591,502 for the nine months ended September 30, 2020 (year ended December 31, 2019 – $6,666,174) in the unaudited pro forma consolidated statement of net income and comprehensive income as these performance fees will not be reflective of the Trust's fee arrangements with DRI following the Acquisition. Please see note 3(e) for the management fee arrangement that is expected to be in place following the Acquisition.

(e) To reflect management fees that would have been paid by the Trust to DRI had the expected management fee arrangement that is to be in place after the Acquisition been in place for the nine months ended September 30, 2020 and the year ended December 31, 2019. Management fees payable by the Trust to DRI as per the management agreement are to be calculated as 6.5% of cash royalty receipts during the period.

(f) The historical amortization related to the Seed Assets was $44,534,066 for the nine months ended September 30, 2020 (December 31, 2019 – $95,607,755) and for other royalty investments, which have expired and are not included in the Seed Assets, was $389,106 for the nine months ended September 30, 2020 (December 31, 2019 – $13,131,245) for total amortization of $44,923,172 for the nine months ended September 30, 2020 (December 31, 2019 – $108,739,000). For the purposes of the pro forma consolidated financial statements, the Trust is required to eliminate the historical amortization associated with the Seed Assets and present the amortization based on the fair value of the Seed Assets acquired as if the transaction had occurred on January 1, 2019. As described in Note 3(a), the Trust has determined the fair value of the Seed Assets primarily using the discounted expected future cash flow of the royalty investments as of the acquisition date. The acquisition date fair value of the Seed Assets in aggregate including royalties receivable at September 30, 2020 is lower than the carrying value of those assets as at January 1, 2019 due to ordinary course receipt of royalties on the assets over time and the impact on the fair value of certain Seed Assets of the end of royalty entitlements in certain geographic regions in 2019 and 2020. As a result, the amortization reported in the unaudited pro forma consolidated statement of net income, determined based on the acquisition-date fair value of the Seed Assets is lower than the combined historical amortization reflected in the financial statements of Drug Royalty Fund I, Drug Royalty III, L.P. and the RMF 2 Co-Investment Fund Portfolio. The impact of these adjustments is a net decrease in amortization of $12,062,527 for the nine months ended September 30, 2020 (December 31, 2019 – $37,768,629) related to the Seed Assets. The pro forma amortization of royalty investments reflected in the pro forma consolidated financial statements of the Trust giving effect to the adjustment noted above represents amortization for the Seed Assets of $32,471,539 for the nine months ended September 30, 2020 (December 31, 2019 – $57,839,126) and for other royalty investments that have expired of $389,106 for the nine months ended September 30, 2020 (December 31, 2019 – $13,131,245) for total amortization of $32,860,645 for the nine months ended September 30, 2020 (December 31, 2019 – $70,970,371).

(g) For purposes of the pro forma consolidated financial statements, the pro forma earnings per unit figures have been calculated using the pro forma weighted average number of units of 40,100,000 which would have been outstanding for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively, assuming the completion of the offering on January 1, 2019. The pro forma weighted average number of units does not include any units that may be issued if the Underwriters' over-allotment option is exercised.

Combined and consolidated financial statements of

Drug Royalty Fund I

Years ended December 31, 2019, 2018 and 2017

DRUG ROYALTY FUND I

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Independent Auditor's Report

To the Partners of
Drug Royalty Fund I

Opinion

We have audited the combined and consolidated financial statements of Drug Royalty Fund I (the "Fund"), which comprise the combined and consolidated statements of financial position as at December 31, 2019, 2018 and 2017 and January 1, 2017, and the combined and consolidated statements of income and comprehensive income, changes in partners' equity and cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the combined and consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 10, 2021

DRUG ROYALTY FUND I

COMBINED AND CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Income			
Royalty income	**30,906,643**	49,114,775	47,782,602
Interest income	**54,918**	157,954	73,778
	30,961,561	49,272,729	47,856,380
Expenses			
Amortization of royalty investments	**12,933,318**	17,432,398	14,967,661
(Reversal of) impairment of royalty investments	**(406,307)**	302,921	103,386
Interest expense and finance fees (Note 6)	**54,571**	579,942	1,246,550
Servicer fees (Note 7)	**265,000**	1,060,000	1,060,000
Operating expenses (Note 10)	**497,631**	262,889	330,345
Net change in unrealized appreciation of interest rate swap (Note 9)	**(10,580)**	(86,730)	(214,379)
Net change in unrealized depreciation (appreciation) of foreign exchange swap (Note 9)	**—**	(138,251)	653,589
Net realized (gain) loss on foreign exchange swap	**—**	14,130	(60,466)
	13,333,633	19,427,299	18,086,686
Net income and comprehensive income	**17,627,928**	29,845,430	29,769,694

The accompanying notes to the combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in U.S. dollars)

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$
Assets				
Current assets				
Cash and cash equivalents	**108,326**	351	1	1
Restricted cash (Note 5)	**—**	1,003,456	—	—
Funds held in trust (Note 6)	**—**	13,677,646	12,263,816	25,738,358
Royalties receivable (Note 9)	**7,548,569**	10,230,963	11,140,026	10,078,794
Prepaid expenses and other assets	**42,894**	88,330	52,991	161,820
Total current assets	**7,699,789**	25,000,746	23,456,834	35,978,973
Non-current assets				
Royalty investments, at net book value (Note 4)	**44,501,239**	57,028,250	74,763,569	89,834,616
Fair value of foreign exchange swap (Note 8)	**—**	—	—	515,338
Restricted cash (Note 5)	**—**	—	1,001,590	1,000,613
Total non-current assets	**44,501,239**	57,028,250	75,765,159	91,350,567
Total Assets	**52,201,028**	82,028,996	99,221,993	127,329,540
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 7)	**19,459**	380,374	549,973	718,390
Secured notes payable (Note 6)	**—**	3,791,246	6,700,000	11,000,000
Total current liabilities	**19,459**	4,171,620	7,249,973	11,718,390
Non-current liabilities				
Secured notes payable (Note 6)	**—**	—	3,693,057	10,186,648
Fair value of interest rate swap (Note 8)	**—**	10,580	97,310	311,689
Fair value of foreign exchange swap (Note 8)	**—**	—	138,251	—
Total non-current liabilities	**—**	10,580	3,928,618	10,498,337
Total Liabilities	**19,459**	4,182,200	11,178,591	22,216,727
Partners' equity	**52,181,569**	77,846,796	88,043,402	105,112,813
Total Liabilities and Partners' equity	**52,201,028**	82,028,996	99,221,993	127,329,540

The accompanying notes to the combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	Total
	$
Balance, January 1, 2017	**105,112,813**
Net income for the year	29,769,694
Distributions to partners	(46,839,105)
Balance, December 31, 2017	**88,043,402**
Net income for the year	29,845,430
Distributions to partners	(40,042,036)
Balance, December 31, 2018	**77,846,796**
Net income for the year	17,627,928
Distributions to partners	(43,293,155)
Balance, December 31, 2019	**52,181,569**

The accompanying notes to the combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Operating activities			
Net income	**17,627,928**	29,845,430	29,769,694
Adjusted for following			
Amortization of royalty investments (Note 4)	**12,933,318**	17,432,398	14,967,661
Amortization of deferred finance fees	**8,754**	98,189	206,409
(Reversal of) impairment of royalty investments (Note 4)	**(406,307)**	302,921	103,386
Interest income	**(54,918)**	(157,954)	(73,778)
Interest received	**79,801**	145,064	61,785
Interest expense	**45,817**	481,753	1,040,141
Decrease (increase) in funds held in trust	**13,677,646**	(1,413,830)	13,474,542
Decrease (increase) in royalties receivable	**2,682,394**	885,108	(795,018)
Decrease in prepaid and other assets	**20,553**	1,506	120,822
Decrease in accounts payable and accrued liabilities	**(302,935)**	(67,371)	(266,794)
Net change in unrealized appreciation of interest rate swaps (Note 9)	**(10,580)**	(86,730)	(214,379)
Net change in unrealized (appreciation) depreciation of foreign exchange swaps (Note 8)	**—**	(138,251)	653,589
	46,301,471	47,328,233	59,048,060
Financing activities			
Distributions to partners	**(43,293,155)**	(40,042,036)	(46,839,105)
Repayment of secured notes payable	**(3,800,000)**	(6,700,000)	(11,000,000)
Decrease (increase) in restricted cash	**1,003,456**	(1,866)	(977)
Interest paid	**(103,797)**	(583,981)	(1,207,978)
	(46,193,496)	(47,327,883)	(59,048,060)
Net change in cash	**107,975**	350	—
Cash and cash equivalents, beginning of year	**351**	1	1
Cash and cash equivalents, end of year	**108,326**	351	1

The accompanying notes to the combined and consolidated financial statements are an integral part of these financial statements.

1. Nature of the Business

These combined and consolidated financial statements of Drug Royalty Fund I (the "Fund") have been prepared to show the combined business activities of (i) Drug Royalty LP 2 and its wholly-owned subsidiaries Drug Royalty LP 1 and Drug Royalty LP 3; and (ii) DRC Management LLC 2.

Drug Royalty LP 2 (the "Partnership") is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 1 is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 3 is a limited partnership established by a Partnership Agreement dated July 4, 2007.

DRC Management LLC 2 is the General Partner of the Partnership. DRC Management LLC 2 is wholly-owned by LSRC S.à r.l which is a private limited liability company (Société à responsabilité limitée). The sole Limited Partner of the Partnership is LSRC S.à r.l. (the "Holding Company").

The Fund commenced operations on October 23, 2006 with the acquisition of its first portfolio of royalty assets. These investments are made by the Partnership's wholly-owned subsidiary, Drug Royalty LP 1.

The Fund's principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices and delivery technologies to participate in the royalties generated by these assets.

2. Basis of preparation

(a) Statement of compliance

These combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Fund's first combined and consolidated financial statements reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS* ("IFRS 1"), has been applied.

IFRS 1 allows first-time adopters certain optional exemptions and mandatory exceptions from the general requirements contained in IFRS. The Fund has applied the following required exceptions in its opening IFRS combined and consolidated balance sheet as at January 1, 2017, the Fund's transition date:

- Financial assets and liabilities that had been de-recognized before the date of transition to IFRS have not been recognized under IFRS.
- The estimates used by the Fund are in accordance with IFRS and reflect conditions at January 1 2017, the date of transition to IFRS.

(b) Basis of measurement

The combined and consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 8), cash, funds held in trust, and restricted cash that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Partnership, and they are consolidated from the date on which control is transferred to the Partnership until the date that control ceases. Balances and transactions between the Partnership's subsidiaries have been eliminated on consolidation.

On loss of control of a subsidiary, the Partnership derecognizes the assets and liabilities of the entity, and any related non-controlling interests and equity. Any gain or loss is recognized in the consolidated statement of income and comprehensive income and any retained interests measured at fair value at the date of loss of control. Changes in the Partnership's interest that do not result in a loss of control are accounted for as equity transactions.

(d) Functional and presentation currency

These combined and consolidated financial statements are presented in United States dollars ("USD"), which is the Fund's and wholly owned subsidiaries' functional currency.

(e) Use of estimates and judgements

The preparation of the combined and consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined and consolidated financial statements and the reported amounts of royalty income, expenses, other income during the year. Significant estimates relate to royalty income, provision for expected credit losses of royalties receivable, the timing of expected future debt repayment and fair values of interest rate swaps and foreign exchange swaps. Actual results could differ from those estimates and such differences could be material to the combined and consolidated financial statements.

2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for 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 received is known.

The Fund reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Fund to use a valuation technique to determine if impairment exists. The Fund 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

As the Fund's equity is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the combined and consolidated financial statements.

3. Summary of significant accounting policies

These annual combined and consolidated financial statements have been prepared using the accounting policies described below:

(a) Consolidation

The combined and consolidated financial statements include the accounts of DRC Management LLC 2 combined with the Partnership and its wholly-owned subsidiaries as defined below.

Entity	Economic Interest (held directly and/or indirectly
Drug Royalty LP 1	100%
Drug Royalty LP 3	100%

Control is achieved when the Partnership is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Partnership controls an investee if, and only if, the Partnership has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and short term deposits with terms of three months or less on the date of acquisition.

(c) Royalties receivable

Royalties receivable are recognized initially at fair value and are subsequently measured at amortized cost.

At each reporting date, the Fund measures loss allowance on royalty receivables at an amount equal to the lifetime expected credit loss given the term of the receivables is 12 months or less. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance might be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

(d) Royalty income

The Fund records the amount of royalty payments received or receivable as royalty income. The Fund typically earns royalties as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalties are tied to the subsequent sales by the third party. The third parties, however, report and pay royalties owed for sales in any given quarter after the conclusion of that quarter, and, in some instances, although royalties are reported quarterly, payment is on a semi-annual or annual basis.

3. Summary of significant accounting policies (continued)

(d) Royalty income (continued)

The Fund estimates and records the royalty income earned for sales by third parties in the period in which such sales occur, based on reasonable estimates of such amounts. When reasonable estimates cannot be made, the Fund records income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties.

The Fund's royalty income is based on the contractual rights to revenue streams which are based on the related underlying patent and/or exclusivity protection of the pharmaceutical products invested in by the Fund.

(e) Royalty investments

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

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized in expenses over the useful life of the asset and shown net of any impairment.

The Fund amortizes royalty investments with a finite useful life on a systematic basis over its expected life. The amortization is determined based on the expected pattern of consumption of the future economic benefits embodied in each royalty investment. The expected life of the asset is based upon the contractual terms of the entitlement and is used to determine the expected end date of the royalty entitlement. Expected useful life is separately considered for each royalty investment and is reviewed at the end of each reporting period.

(f) Impairment of royalty investments

Royalty investments are tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs of disposal), for each individual asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount.

In assessing value in use, the Fund 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. The Fund bases its impairment calculation on most recent internally prepared or externally sourced forecasts which are based on the full period of the royalty entitlement.

A previously recognized impairment loss is assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the intangible asset's adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

(g) Derivative financial instruments

The Fund enters into a variety of derivative financial instruments such as foreign exchange swaps and interest rate swaps to manage its exposure to risks, such as foreign exchange risks and interest rate risk.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Fund has not formally designated any hedge relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(h) Foreign currency translation and transactions

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

(i) Income taxes

No United States federal income taxes have been provided for by the Fund in the accompanying financial statements as the entity is considered a partnership for United States tax purposes that is not subject to federal income taxes unless otherwise elected. Income from the Fund is included in the tax returns of the partners.

(j) Fair value measurement

The Fund reports in accordance with the provisions of IFRS 13, *Fair Value Measurement* ("IFRS 13"). Under IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. Summary of significant accounting policies (continued)

(j) Fair value measurement (continued)

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

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

For further information on financial assets and liabilities that are measured at fair value, see Note 8.

(k) Financial instruments

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

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

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

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

Financial assets and liabilities are offset and the net amount is reported in the combined and consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(Expressed in U.S. dollars)

4. Royalty investments

Royalty investments held by the Fund are as follows:

	2019	2018	2017
	$	$	$
Cost			
At January 1,	300,448,555	300,448,555	300,448,555
Additions	—	—	—
At December 31,	300,448,555	300,448,555	300,448,555
Amortization and impairment			
At January 1,	243,420,305	225,684,986	210,613,939
Amortization	12,933,318	17,432,398	14,967,661
(Reversal of) impairment	(406,307)	302,921	103,386
At December 31	255,947,316	243,420,305	225,684,986
Net book value			
At January 1,	57,028,250	74,763,569	89,834,616
At December 31,	44,501,239	57,028,250	74,763,569

The impairment recognized in 2017 related to the investment in FluMist and was attributable to the American Academy of Pediatrics ("AAP") and the Centers for Disease Control ("CDC") in the United States not recommending the use of FluMist for the 2016-2017 and 2017-2018 flu seasons resulting in an impairment of $103,386. This impairment was reversed in 2018 as the AAP and CDC recommended FluMist's use for the 2018-2019 flu season.

The impairment recognized in 2018 related to the investment in TaqMan PCR and was attributable to lower expected future royalties forecast resulting in an impairment of $406,307. This impairment was reversed in 2019 as the discounted future cash flows for TaqMan PCR exceeded the carrying value based on revisions to the projected cash flows for this investment.

Royalty investments include the following royalty assets at net book value:

	Expected royalty expiry	2019	2018	2017	January 1, 2017
		$	$	$	$
Xolair	Q2 2032	10,134,519	11,681,026	13,869,075	15,967,371
Natpara	Q3 2024	29,729,363	38,470,943	45,736,948	50,343,184
FluMist	Q4 2023	4,248,251	4,704,646	5,271,614	5,770,162
TaqMan PCR	Q3 2020	389,106	1,989,038	4,493,678	6,441,434
Advate	Q1 2019	—	182,597	328,674	474,751
Remicade	Q1 2019	—	—	1,010,583	2,155,517
Remicade II	Q1 2019	—	—	4,052,997	8,504,428
PEG-Intron	Q4 2017	—	—	—	177,769
Total		44,501,239	57,028,250	74,763,569	89,834,616

5. Restricted cash

Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes (Note 6), the Fund is required to maintain certain deposits in the name of the Trustee for the payment of interest, including interest rate swap payments ("Reserve Account"). The amount deposited in the Reserve Account which may be utilized to cover shortfalls, if any, in the payment of interest on the outstanding secured notes, is equal to the greater of (i) $1 million or (ii) the product of six times the current month's interest due on the secured notes subject to certain adjustments. Under certain circumstances, the Reserve Account may be increased.

Restricted cash includes cash and cash equivalents, which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, and are carried at fair value. With the repayment of the secured notes payable on April 15, 2019 proceeds from the Reserve Account were transferred to the Fund's main bank account and the Reserve Account was subsequently closed.

(Expressed in U.S. dollars)

6. Secured notes payable

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$
Series 2012-1 Class A-1 (a) (b) Bearing interest at three month LIBOR + 5.25% with a stated final maturity of July 15, 2024	—	1,326,936	3,637,570	7,415,327
Series 2012-1 Class A-2 (a) Bearing interest at 5.80% with a stated final maturity of July 15, 2024	—	2,464,310	6,755,487	13,771,321
	—	3,791,246	10,393,057	21,186,648
Less Current portion	—	3,791,246	6,700,000	11,000,000
	—	—	3,693,057	10,186,648

(a) Pursuant to the terms of the Series 2012-1 Class A-1 and 2012-1 Class A-2 Indenture Agreements, principal payments on the secured notes are made quarterly following a prescribed formula and in the stated order of priority, after the deduction of allowable expenses including interest, from the cash received from the royalty interest portfolio held by the Fund. The terms of the notes require accelerated payments in certain events and also allow for voluntary prepayments under certain circumstances.

The Series 2012-1 Class A-1 and 2012-1 Class A-2 notes were secured by the assets of the Fund. The notes have a final stated maturity date; however, the actual maturity will differ depending on the amount and timing of principal payments. The Series 2012-1 Class A-1 and 2012-1 Class A-2 notes were fully repaid on April 15, 2019.

(b) With the issuances of the 2012-1 Class A-1 secured notes, the Fund entered into an interest rate swap transaction to reduce its exposure to fluctuations in interest rates.

Under the terms of the interest rate swap agreement, the Fund pays a fixed interest rate to the counterparty and receives a floating interest rate from the counterparty based on LIBOR with reference to notional amounts adjusted to match the scheduled principal repayments. The swap contract stipulates quarterly payments with a maturity on April 15, 2019. The notes and payments under the interest rate swap are secured by the assets of the Fund.

The fixed rate of interest payable on the swap during 2019 was 4.64% (2018 – 4.64%, 2017 – 4.64%). No notional amount of the interest rate swap remains outstanding as the interest rate swap contract matured on April 15, 2019 (2018 – $1,330,000, 2017 – $3,675,000, January 1 2017 – $7,525,000).

(c) Amortized finance charges of $8,754 (2018 – $98,189, 2017 – $206,409) are included in interest expense and finance fees in the combined and consolidated statement of income. With the repayment of the secured notes payable on April 15, 2019, the deferred finance fees have been fully amortized.

(d) Deferred finance fees consist of finance charges deducted from the carrying value of the secured notes payable and are amortized using the effective interest rate method.

(e) Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes payable, the Fund is required to maintain a trust account in the name of the indenture trustee (the "Trustee") into which royalty payments received, advances and other collections must be deposited. On a quarterly basis, the Trustee distributes the amounts collected to various parties as fees for services or, in the case of secured note holders, for the payment of interest and principal. The prioritization and amount of such payments is determined pursuant to the terms of the Indenture Agreement.

Funds held in trust include cash and cash equivalents which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value. With the repayment of the secured notes payable on April 15, 2019 proceeds from the trust account were transferred to the Fund's main bank account and the trust account was subsequently closed.

7. Related party transactions

DRI Capital Inc. ("DRI") is a company under common control with the Holding Company which also serves as the Investment Manager for the Holding Company and provides administrative services to the Fund to service the debt of the Fund. Amounts payable to DRI for servicer fees are based on amounts as agreed to between DRI and the Fund pursuant to the Servicer Agreement and are recorded at the exchange amounts.

Transactions and balances with DRI not disclosed elsewhere in these financial statements are as follows:

(a) During the year ended December 31, 2019, the Fund was charged servicer fees by DRI in the amount of $265,000 (2018 – $1,060,000, 2017 – $1,060,000).

(b) Included in accounts payable at December 31, 2019 is $8,347 (2018 – $280,180, 2017 – $305,297, January 1, 2017 – $324,200)) payable to DRI for reimbursement of third party costs incurred.

(Expressed in U.S. dollars)

8. Fair value

Financial instruments include cash, funds held in trust, restricted cash, royalties receivable, accounts payable, accrued liabilities, foreign exchange swap and interest rate swap. Cash, funds held in trust, restricted cash, foreign exchange swap, and interest rate swap are carried at fair value. The carrying value of royalties receivable, accounts payable and accrued liabilities represents fair value due to the immediate or short-term duration of these items.

The following table illustrates the fair value hierarchy of assets and liabilities and the level at which each are measured.

	December 31, 2019		
	Level 1	Level 2	Level 3
	$	$	$
Interest rate swap	—	—	—
Foreign exchange swap	—	—	—

	December 31, 2018		
	Level 1	Level 2	Level 3
	$	$	$
Interest rate swap	—	(10,580)	—
Foreign exchange swap	—	—	—

	December 31, 2017		
	Level 1	Level 2	Level 3
	$	$	$
Interest rate swap	—	(97,310)	—
Foreign exchange swap	—	(138,251)	—

	January 1, 2017		
	Level 1	Level 2	Level 3
	$	$	$
Interest rate swap	—	(311,689)	—
Foreign exchange swap	—	515,338	—

There were no transfers between Levels during the year.

9. Financial instruments risk management

The Fund is exposed to the following risks related to its financial instruments:

(i) Credit risk

Credit risk arises from the possibility that the Fund's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The Fund's accounts receivable are concentrated in the pharmaceutical and health sciences industry. The Fund monitors its exposure to its counterparties on a regular basis. As of December 31, 2019, royalties receivable included $7,244,640 (2018 – $8,948,531, 2017 – $10,356,269, January 1, 2017 – $9,352,275) related to royalties receivable representing greater than 10% of the balance receivable from three (2018 – three, 2017 – four, January 1, 2017 – four) counterparties. For the year ended December 31, 2019, royalty income included $28,958,587 (2018 – $47,329,884, 2017 – $46,053,821) related to royalty income representing greater than 10% of total royalty income from three (2018 – four, 2017 – four) counterparties.

(Expressed in U.S. dollars)

9. Financial instruments risk management (continued)

(ii) Interest rate risk

The Fund was exposed to changes in interest rates on its secured notes payable. The Fund entered into an interest rate swap transaction to reduce its exposure to fluctuations in interest rates (Note 6).

Information about the Fund's interest rate derivatives is as follows:

	2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	—	—	**10,580**

	2018		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	1,330,000	(10,580)	86,730

	2017		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	3,675,000	(97,310)	214,379

In 2019, $10,570 (2018 – $79,337, 2017 – $210,738) of realized losses on interest rate swaps were recorded within interest expense.

(iii) Foreign currency risk

The Fund was exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty income.

Information about the Fund's foreign exchange derivatives is as follows:

	2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	—	—	—

	2018		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	—	—	138,251

	2017		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	3,382,531	(138,251)	(653,589)

(Expressed in U.S. dollars)

10. Operating expenses

	2019	2018	2017
	$	$	$
Consulting	**341,988**	131,638	186,124
Legal	**43,912**	6,871	13,742
Audit	**36,790**	46,557	47,181
Administrative	**36,237**	31,399	34,466
Other operating expenses	**38,704**	46,424	48,832
Total operating expenses	**497,631**	262,889	330,345

11. Partners' equity and capital management

(a) Capital contributions

In accordance with the Partnership Agreement dated October 24, 2006, capital contributions are due when such capital contributions are requested by the general partner, typically within 10 business days of receipt. There were no capital contributions receivable as at December 31, 2019 (2018 – $nil, 2017 – $nil).

(b) Capital distributions

In accordance with the Partnership Agreement dated October 24, 2006, the Partnership shall make distributions to each partner at the times and in the amounts determined by the general partner. The general partner has in the ordinary course of business approved distributions on a quarterly basis within 90 days after the end of each fiscal quarter.

Distributions are made to the partners pro rata in proportion to their respective capital contributions. The general partner does not receive a distribution from the Partnership.

(c) Capital management

The Fund's objectives for managing capital are:

- To invest the capital in royalty investments meeting the Fund's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in a portfolio of royalty assets with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks.
- To maintain sufficient liquidity to meet the expenses of the Fund.
- To provide investors with a steady source of residual cash flows from royalty investments.

12. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented on a combined and consolidated basis to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the Fund has concluded that it operates as one segment primarily focused on acquiring royalty investments.

13. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these combined and consolidated financial statements were available for issuance. The Fund did not identify any subsequent events that required adjustments to, or disclosures in these financial statements.

Interim condensed combined and consolidated financial statements of

Drug Royalty Fund I

For the three and nine months ended September 30, 2020 and 2019

(Unaudited)

DRUG ROYALTY FUND I

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DRUG ROYALTY FUND I

INTERIM CONDENSED COMBINED AND CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2020 and 2019
(Unaudited, Expressed in U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	$	$	$	$
Income				
Royalty income	**4,349,069**	9,641,770	**10,727,612**	25,258,450
Interest income	**—**	—	**—**	54,918
	4,349,069	9,641,770	**10,727,612**	25,313,368
Expenses				
Amortization of royalty investments (Note 4)	**763,269**	3,607,295	**2,624,718**	10,557,769
Reversal of impairment of royalty investments (Note 4)	**—**	—	**—**	(406,307)
Interest expense and finance fees	**—**	—	**—**	54,571
Servicer fees (Note 5)	**—**	—	**—**	265,000
Operating expenses (Note 8)	**94,236**	244,435	**300,907**	417,246
Net change in unrealized appreciation of interest rate swap	**—**	—	**—**	(10,580)
	857,505	3,851,730	**2,925,625**	10,877,699
Net income and comprehensive income	**3,491,564**	5,790,040	**7,801,987**	14,435,669

The accompanying notes to the interim condensed combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

INTERIM CONDENSED COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020 and December 31, 2019

(Unaudited, Expressed in U.S. dollars)

	September 30, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents	**99,388**	108,326
Royalties receivable (Note 7)	**6,249,197**	7,548,569
Prepaid expenses and other assets	**63,990**	42,894
Total current assets	**6,412,575**	7,699,789
Non-current assets		
Royalty investments, at net book value (Note 4)	**41,876,521**	44,501,239
Total non-current assets	**41,876,521**	44,501,239
Total Assets	**48,289,096**	52,201,028
Liabilities		
Accounts payable and accrued liabilities (Note 5)	**101,224**	19,459
Total Liabilities	**101,224**	19,459
Partners' equity	**48,187,872**	52,181,569
Total Liabilities and Partners' equity	**48,289,096**	52,201,028

The accompanying notes to the interim condensed combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

INTERIM CONDENSED COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the nine months ended September 30, 2020 and 2019
(Unaudited, Expressed in U.S. dollars)

	Total
	$
Balance, January 1, 2019	77,846,796
Net income for the period	14,435,669
Distributions to partners	(35,989,720)
Balance, September 30, 2019	**56,292,745**
Balance, January 1, 2020	**52,181,569**
Net income for the period	7,801,987
Distributions to partners	(11,795,684)
Balance, September 30, 2020	**48,187,872**

The accompanying notes to the interim condensed combined and consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY FUND I

INTERIM CONDENSED COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in U.S. dollars)

	September 30, 2020	September 30, 2019
	$	$
Operating activities		
Net income	**7,801,987**	14,435,669
Adjusted for following		
Amortization of royalty investments	**2,624,718**	10,557,769
Amortization of deferred finance fees	**—**	8,754
(Reversal of) impairment of royalty investments	**—**	(406,307)
Interest income	**—**	(54,918)
Interest received	**—**	79,801
Interest expense	**—**	45,817
Decrease in funds held in trust	**—**	13,677,646
Decrease in royalties receivable	**1,299,372**	565,330
Decrease (increase) in prepaid and other assets	**(21,096)**	(1,727)
Increase (decrease) in accounts payable and accrued liabilities	**81,765**	(2,335)
Net change in unrealized appreciation of interest rate swap	**—**	(10,580)
	11,786,746	38,894,919
Financing activities		
Distributions to partners	**(11,795,684)**	(35,989,720)
Repayment of secured notes payable	**—**	(3,800,000)
Decrease in restricted cash	**—**	1,003,456
Interest paid	**—**	(103,797)
	(11,795,684)	(38,890,061)
Net change in cash	**(8,938)**	4,858
Cash and cash equivalents, beginning of period	**108,326**	351
Cash and cash equivalents, end of period	**99,388**	5,209

The accompanying notes to the interim condensed combined and consolidated financial statements are an integral part of these financial statements.

1. Nature of the Business

These unaudited condensed combined and consolidated financial statements of Drug Royalty Fund I (the "Fund") have been prepared to show the combined business activities of (i) Drug Royalty LP 2 and its wholly owned subsidiaries Drug Royalty LP 1 and Drug Royalty LP 3; and (ii) DRC Management LLC 2.

Drug Royalty LP 2 (the "Partnership") is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 1 is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 3 is a limited partnership established by a Partnership Agreement dated July 4, 2007.

DRC Management LLC 2 is the General Partner of the Partnership. DRC Management LLC 2 is wholly-owned by LSRC S.à r.l which is a private limited liability company (Société à responsabilité limitée). The sole Limited Partner of the Partnership is LSRC S.à r.l. (the "Holding Company').

The Fund commenced operations on October 23, 2006 with the acquisition of its first portfolio of royalty assets. These investments are made by the Partnership's wholly owned subsidiary, Drug Royalty LP 1.

The Fund's principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices and delivery technologies to participate in the royalties generated by these assets.

2. Basis of preparation

(a) Statement of compliance

These interim condensed combined and consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and do not include all the disclosures required for annual financial statements and should be read in conjunction with the Fund's annual combined and consolidated financial statements as at December 31, 2019.

(b) Basis of measurement

The interim condensed combined and consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 6), cash and cash equivalents that are measured at fair value at the end of each reporting period.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Partnership, and they are consolidated from the date on which control is transferred to the Partnership until the date that control ceases. Balances and transactions between the Partnership's subsidiaries have been eliminated on consolidation.

On loss of control of a subsidiary, the Partnership derecognizes the assets and liabilities of the entity, and any related non-controlling interests and equity. Any gain or loss is recognized in the consolidated statement of income and comprehensive income and any retained interests measured at fair value at the date of loss of control. Changes in the Partnership's interest that do not result in a loss of control are accounted for as equity transactions.

(d) Functional and presentation currency

These interim condensed combined and consolidated financial statements are presented in United States dollars ("USD"), which is the Fund's and wholly owned subsidiaries' functional currency.

(e) Use of estimates and judgements

The preparation of the interim combined and condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim combined and condensed consolidated financial statements and the reported amounts of royalty income, expenses, and other income during the period. Significant estimates relate to royalty income, and provision for expected credit losses of royalties receivable. Actual results could differ from those estimates and such differences could be material to the interim condensed combined and consolidated financial statements.

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for 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 received is known.

The Fund reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Fund to use a valuation technique to determine if impairment exists. The Fund 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

(Unaudited, Expressed in U.S. dollars)

2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

As the Fund's equity is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the interim condensed combined and consolidated financial statements.

3. Significant accounting policies

The accounting policies applied in these interim condensed combined and consolidated financial statements are the same as those applied in the Fund's combined and consolidated financial statements as at and for the year ended December 31, 2019.

4. Royalty investments

Royalty investments held by the Fund are as follows:

	$
Cost	
At January 1, 2020	300,448,555
Additions	—
At September 30, 2020	300,448,555
Amortization	
At January 1, 2020	255,947,316
Amortization	2,624,718
At September 30, 2020	258,572,034
Net book value	
At January 1, 2020	44,501,239
At September 30, 2020	41,876,521

For the year ended December 31, 2019, the Fund reversed impairments of $406,307 related to TaqMan PCR. For TaqMan PCR, the previously recognized impairment of $406,307 was reversed as the discounted future cash flows for TaqMan PCR exceeded the carrying value based on revisions to the projected cash flows for this investment.

Royalty investments include the following royalty assets at net book value:

	Expected royalty expiry	September 30, 2020	December 31, 2019
		$	$
Xolair	Q2 2032	**9,026,672**	10,134,519
Natpara	Q3 2024	**28,999,651**	29,729,363
FluMist	Q4 2023	**3,850,198**	4,248,251
TaqMan PCR	Q3 2020	**—**	389,106
Total		**41,876,521**	44,501,239

5. Related party transactions

DRI Capital Inc. ("DRI") is a company under common control with the Holding Company which also serves as the Investment Manager for the Holding Company and provides administrative services to the Fund to service the debt of the Fund. Amounts payable to DRI for servicer fees are based on amounts as agreed to between DRI and the Fund pursuant to the Servicer Agreement and are recorded at the exchange amounts.

Transactions and balances with DRI not disclosed elsewhere in these financial statements are as follows:

(a) During the three and nine month periods ended September 30, 2020, the Fund was charged servicer fees by DRI in the amount of $nil (2019 - $nil and $265,000), respectively.

(b) Included in accounts payable at September 30, 2020 is $64,338 (December 31, 2019 – $8,347) payable to DRI for reimbursement of third party costs incurred.

(Unaudited, Expressed in U.S. dollars)

6. Fair value

Financial instruments include cash and cash equivalents, royalties receivable, accounts payable and accrued liabilities. Cash and cash equivalents are carried at fair value. The carrying value of royalties receivable, accounts payable and accrued liabilities represents fair value due to the immediate or short-term duration of these items.

7. Financial instruments risk management

The Fund is exposed to credit risk related to its financial instruments.

Credit risk arises from the possibility that the Fund's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The Fund's royalties receivable are concentrated in the pharmaceutical and health sciences industry. The Fund monitors its exposure to its counterparties on a regular basis. As of September 30, 2020, royalties receivable included $5,467,188 (December 31, 2019 – $7,244,640) related to royalties receivable representing greater than 10% of the balance receivable from two (December 31, 2019 – three) counterparties.

For the three month period ended September 30, 2020, royalty income included $3,332,947 (2019 – $8,843,126), related to royalty income representing greater than 10% of total royalty income from two (2019 – three) counterparties.

For the nine month period ended September 30, 2020, royalty income included $9,031,882 (2019 – $23,859,531), related to royalty income representing greater than 10% of total royalty income from two (2019 – three) counterparties.

8. Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Consulting	**64,314**	221,540	**224,253**	288,748
Legal	**—**	—	**—**	43,912
Audit	**7,002**	6,252	**24,425**	28,546
Administrative	**9,778**	7,577	**26,404**	25,900
Other operating expenses	**13,142**	9,066	**25,825**	30,140
Total operating expenses	**94,236**	244,435	**300,907**	417,246

9. Partners' equity and capital management

(a) Capital contributions

In accordance with the Partnership Agreement dated October 24, 2006, capital contributions are due when such capital contributions are requested by the General Partner, typically within 10 business days of receipt. There were no capital contributions receivable as at September 30, 2020 (December 31, 2019 – $nil).

(b) Capital distributions

In accordance with the Partnership Agreement dated October 24, 2006, the Partnership shall make distributions to each partner at the times and in the amounts determined by the General Partner. The General Partner has in the ordinary course of business approved distributions on a quarterly basis within 90 days after the end of each fiscal quarter.

Distributions are made to the partners pro rata in proportion to their respective capital contributions. The General Partner does not receive a distribution from the Partnership.

(c) Capital Management

The Partnership's objectives for managing capital are:

- To invest the capital in royalty investments meeting the Fund's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in a portfolio of royalty assets with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks.
- To maintain sufficient liquidity to meet the expenses of the Fund.
- To provide investors with a steady source of residual cash flows from royalty investments.

10. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented on a combined and consolidated basis to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the Fund has concluded that it operates as one segment primarily focused on acquiring royalty investments.

11. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these financial statements were available for issuance. The Fund did not identify any subsequent events that required adjustments to, or disclosures in these financial statements.

DRUG ROYALTY FUND I
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of Drug Royalty Fund I ("**Fund I**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the audited combined and consolidated financial statements of Fund I for the years ended December 31, 2019, 2018 and 2017, the unaudited interim condensed combined and consolidated financial statements of Fund I for the three and nine month periods ended September 30, 2020 and 2019 and the accompanying notes to such financial statements, in each case included elsewhere in this prospectus. The audited combined and consolidated financial statements of Fund I have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The unaudited interim condensed combined and consolidated financial statements of Fund I have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"), of the International Accounting Standards Board ("**IASB**").

DRI Healthcare Trust was established as an unincorporated open-ended trust on October 21, 2020. It has a limited history and has carried on limited activities. Going forward, DRI Healthcare Trust will be the parent entity and sole direct and indirect owner of Fund I.

All amounts in this MD&A are expressed in U.S. dollars, except where otherwise indicated. In this MD&A only, all references to the "**Company**", "**we**", "**us**" or "**our**" refer to Fund I, together with its subsidiaries, on a consolidated basis.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. This discussion may contain forward-looking information that involves risks and uncertainties. Such forward-looking information is based upon current expectations. The actual results of Fund I may differ materially from those anticipated in such forward-looking information as a result of various factors, including those set forth under "Risk Factors" or in other parts of this prospectus. See "Forward-Looking Information".

Business Overview

Fund I consists of the combined business activities of Drug Royalty LP 2 and its wholly-owned subsidiaries Drug Royalty LP 1 and Drug Royalty LP 3, and DRC Management LLC 2.

Drug Royalty LP 2 is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 1 is a limited partnership established by a Partnership Agreement dated October 10, 2006. Drug Royalty LP 3 is a limited partnership established by a Partnership Agreement dated July 4, 2007.

DRC Management LLC 2 will, following the Closing Transactions, be the general partner of Drug Royalty LP 2 and Drug Royalty LP 1, and is a limited liability company. DRC Management LLC 2 is wholly-owned by LSRC S.à r.l. which is a private limited liability company (Société à responsabilité limitée). The sole limited partner of Drug Royalty LP 2 is LSRC S.à r.l. DRI Capital Inc. ("**DRI Capital**"), a corporation governed by the *Canada Business Corporations Act*, is the manager for Fund I under an agreement with LSRC S.à r.l.

Our principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices and delivery technologies in order to participate in the royalties generated by these assets. We acquire, directly or indirectly, the rights to royalty assets from inventors, universities, research institutions and hospitals, biotechnology and pharmaceutical companies, other entities operating in the life sciences industry and entities selling royalties in the secondary market.

Drug Royalty I, of which Fund I is a part, was DRI Capital's first managed fund. Capital was deployed through 2008 and used to purchase a portfolio of 19 royalty streams with total capital deployed of $645 million. We use cash royalty receipts to fund investor distributions and to pay for fees and expenses, minimizing the cash outlay from our investors. We also issued investment grade debt as a source of debt capital.

We classify our portfolio of royalty investments based on the expected expiry of the royalty in the underlying product's primary royalty-bearing geography. Our portfolio includes Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021. Our portfolio does not include Mature Products, for which royalty entitlements in primary geographies are expected to expire before December 31, 2021. Our financial statements and this MD&A also reflect Legacy Products, for which royalty entitlements expired prior to September 30, 2020.

We currently own the right to receive certain royalties related to worldwide sales of FluMist, Natpara and Xolair, which we classify as Core Products.

- **FluMist** is a live attenuated influenza virus vaccine that is indicated for active immunization for the prevention of influenza disease caused by influenza A subtype viruses and type B viruses. FluMist is marketed worldwide by AstraZeneca. Our royalty entitlement is payable on worldwide sales of FluMist. Royalties are collected on a one-quarter lag basis and are expected to expire in the fourth quarter of 2023.
- **Natpara** (parathyroid hormone) is indicated as an adjunct to calcium and vitamin D to control hypocalcemia in patients with hypoparathyroidism. Natpara is marketed by Takeda. Under the terms of the Natpara agreement, we receive royalties on the worldwide sales of the product. However, we believe the U.S. market represents the majority of product sales. As a result of manufacturing and delivery related difficulties, Takeda has ceased product sales in the United States and is working with the U.S. Food and Drug Administration ("**FDA**") to resupply Natpara. In January 2020, Takeda announced that there will be a delay of more than one year to bring Natpara back to the U.S. market, implying that sales could resume during 2021. Royalties are collected on a one-quarter lag basis and are expected to expire worldwide in the third quarter of 2024.
- **Xolair** (omalizumab) is an anti-IgE antibody initially indicated for the treatment of patients with moderate to severe persistent asthma. Subsequent to the acquisition, Xolair was approved for the treatment of chronic idiopathic urticaria in 2014 and nasal polyps in 2020. Xolair is marketed by Roche and Novartis. Our royalty entitlement is payable on worldwide sales of Xolair. However, royalties collected on sales outside of the United States became less material in 2018. Royalties are collected on a two-quarter lag basis and are expected to expire in the second quarter of 2032 in the United States.

We held royalties in products that expired prior to September 30, 2020 related to the worldwide sales of TaqMan PCR Technology ("**TaqMan PCR**") (expired in 2020), Advate (expired in 2019), Remicade (expired in 2019), the U.S. sales of Remicade II (expired in 2019), and PEG-Intron (expired in 2017). In addition, our royalty investment in TaqMan PCR consists of certain molecular technologies incorporated into TaqMan-MGB real-time polymerase chain reaction probes. The technology is used for gene expression analysis, microbial genotyping (viruses, bacteria, and fungi), non-microbial genotyping including human mutation analysis, tumour load detection, and pathology and forensics. TaqMan PCR is marketed worldwide by ThermoFisher. Advate is a purified recombinant factor VIII product used for the treatment of hemophilia. Advate is marketed by Takeda. Remicade is indicated for Crohn's Disease, pediatric Crohn's Disease, ulcerative colitis, pediatric ulcerative colitis, rheumatoid arthritis, plaque psoriasis, psoriatic arthritis, and active ankylosing spondylitis. Remicade was acquired as two investments (Remicade and Remicade II) and is marketed by Johnson & Johnson, Merck and Mitsubishi Tanabe. PEG-Intron is an antiviral indicated for treatment of Chronic Hepatitis C in patients with compensated liver disease. PEG-Intron is marketed by Merck. See "Key developments relating to our portfolio from 2017-2020" which indicate the quarter in which these royalties expired.

Factors Impacting Our Performance

Our performance and future success depend on a number of key factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of this prospectus.

Performance of the products underlying our royalties. 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, such as regulatory approvals that permit the sale of a product in the relevant market, whether a product is recommended for use by health agencies or medical professional associations and the extension of a product for additional indications. Some of these factors are discussed below under "Key developments relating to our portfolio from 2017-2020".

The terms and conditions of our royalties. Our royalty agreements set out the terms and conditions on which we are paid royalties. Royalties are typically finite life assets that expire based on either patent expiry dates (including patent extensions) or on structural elements, such as caps that limit the amount of royalties that can be collected after product sales or royalty receipts reach a pre-determined level. Royalty acquisition structures can be tailored to the requirements of the royalty vendor and to provide the purchaser various protections. These structures can include payments to vendors at specified product sales thresholds or upon certain product events, such as the approval of the product for a new indication or other key attribute or launch of the product in a new geography. When our royalties on a product expire, we will no longer receive royalty payments from sales of the product.

Cost structure. We strive to operate as efficiently as possible to minimize costs that reduce our ability to reinvest cash generated by our royalties and our ability to make distributions. In addition to our operating expenses, we have paid servicer fees related to the servicing of our senior secured notes as well as interest and finance fees reflecting amortized deferred financing charges and interest paid on our senior secured notes while they were outstanding. These notes were fully repaid on April 15, 2019.

Key developments relating to our portfolio from 2017-2020

The key developments impacting our cash royalty receipts and royalty income are discussed below:

- **FluMist:** In 2017, the American Academy of Pediatrics ("**AAP**") and the Centers for Disease Control ("**CDC**") in the United States did not recommend the use of FluMist for the 2016-2017 and 2017-2018 flu seasons. This decision was reversed for the 2018-2019 flu season.
- **Natpara**: In 2019, as a result of manufacturing and delivery related difficulties, Takeda ceased sales of Natpara in the United States and is working with the FDA to resupply Natpara. In January 2020, Takeda announced that there will be a delay of more than one year to bring Natpara back to the U.S. market, implying that sales could resume during 2021.
- **Xolair:** Xolair was approved to treat pediatric asthma in 2016. A supplemental biologic license application has been accepted by the FDA for treatment of nasal polyps in adult patients 18 years of age and older with inadequate response to intranasal corticosteroids. The FDA is expected to make a decision on approval for this indication by the third quarter of 2020. Novartis has completed Phase III studies for the treatment of food allergies and have listed 2022 as the likely launch year for this indication.
- **TaqMan PCR:** Our royalties on this product expired in the third quarter of 2020.
- **Advate:** Our royalties on this product expired in the first quarter of 2019.
- **Remicade:** Our royalties on this product expired in the first quarter of 2019.
- **PEG-Intron:** Our royalties on this product expired in the fourth quarter of 2017.

Understanding Our Financial Reporting

Fund I's financial reporting is in accordance with IFRS. Fund I adopted IFRS effective January 1, 2017. The combined and consolidated financial statements included in this prospectus are the first financial statements Fund I has reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS*, has been applied.

In accordance with IFRS, the royalty investments Fund I acquires are classified as intangible assets on the combined and consolidated statement of financial position. Royalty investments are held at cost, which initially is the fair value of the consideration paid, and are amortized over their useful lives and shown net of any impairment. The royalty investments are tested for impairment at each reporting period or when an indicator of impairment is identified by management.

The preparation of our financial statements in this manner requires the use of estimates, judgments and assumptions that affect both our reported assets and liabilities and our income and expenses. A key area of judgment and estimates applied by management is associated with the measurement of income derived from our royalty investments classified as intangible assets, including management's judgment in forecasting the expected future cash flows of the underlying royalties and the expected duration of the royalty investments. In any given reporting period, when an indicator of impairment is identified by management, this may result in the identification that the expected

future cash flows associated with a royalty investment are below the carrying value of the royalty investment and result in the recognition of an impairment of royalty investments which appears as an expense in our income statement. Similarly, in subsequent periods, an assessment of previously recognized impairment losses may determine that an increase in the expected future cash flows associated with a royalty investment should result in the recognition of a reversal of impairment of royalty investments. Therefore, management cautions investors against looking to royalty income and the associated impairment or reversal of impairment of royalty investments as a measure of our near-term financial performance or as a source for predicting future income or growth trends.

Our operations have historically been financed primarily with cash flows generated by our royalties. Royalty income is recorded on an accrual basis when earned by Fund I in accordance with our contractual rights, rather than when actual cash payments in respect of our royalties are received. The lag between when we record royalty income and when we receive the corresponding cash payments is typically three months, but may in some cases be several financial quarters. Given the importance of cash flows to our business, we use "cash royalty receipts" as a key measure of our operating performance. Cash royalty receipts refers to the cash received during a period pursuant to the terms and conditions of a particular royalty asset. We refer to cash royalty receipts on a product-by-product basis. Fund I also reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA. We believe these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of Fund I. We also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance. These measures do not have any standardized definitions prescribed under IFRS and are, therefore, not comparable to similar measures presented by other reporting issuers.

We use Total Cash Royalty Receipts to refer 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 when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of Fund I and the performance of its business.

See the "Non-IFRS Financial Results" section of this MD&A for definitions and reconciliations of these non-IFRS measures to the nearest comparable IFRS measures.

Understanding Our Results of Operations

Immediately following this offering, DRI Healthcare Trust will be a holding entity that will directly and indirectly own Fund I, which will be included in the consolidated financial statements of DRI Healthcare Trust. The major categories of information presented in the historical combined and consolidated statement of income and comprehensive income of Fund I are discussed below.

Royalty income

Royalty income is comprised of income from our royalty investments, which represent the contractual right to receive, directly or indirectly, a royalty payment, license fee, or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret, or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. Fund I 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 of drug products, 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 by Fund I in accordance with our contractual rights. Management is required to make estimates of royalty income earned based on estimates for financial reporting purposes which are updated once royalty receipts are reported and paid by our counterparties, typically one or more quarters after they are earned.

Interest income

Interest income consists of interest earned on funds held in trust. Funds held in trust include cash and cash equivalents which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value. We previously had secured notes outstanding as part of our securitization program. We repaid these notes on April 15, 2019 and transferred proceeds from the trust account to our main bank account, and subsequently closed the trust account.

Amortization and impairment of royalty investments

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized over the useful life of the asset. This amortization is shown in the statement of income and comprehensive income as 'Amortization of royalty investments'.

Royalty investments are also tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, an impairment test is performed to compare the recoverable amount to the carrying value of the asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. A previously recognized impairment loss is also assessed at each reporting date for any indicators that the loss has decreased or no longer exists. The impairment loss or reversal is shown in the statement of income and comprehensive income as 'Impairment of royalty investments'.

Interest expense and finance fees

Interest expense and finance fees reflects amortized deferred financing charges and interest paid on our Series 2012-1 Class A-1 and Series 2012-1 Class A-2 secured notes (the "**secured notes**"). These notes were issued on March 12, 2012 and were fully repaid on April 15, 2019.

Concurrent with the issuance of the secured notes, Fund I entered into an interest rate swap transaction to reduce its exposure to fluctuations in interest rates. The notes and payments under the interest rate swap were secured by the assets of Fund I. Any realized gains or losses on interest rate swaps were recorded within interest expense. As at September 30, 2020, no notional amount of the interest rate swap remains outstanding as the interest rate swap contract matured on April 15, 2019.

Servicer fees

DRI Capital provided administrative services to Fund I to assist it in servicing the secured notes. Servicer fees represent the amounts payable to DRI Capital based on amounts as agreed to between DRI Capital and Fund I pursuant a servicing agreement, and are recorded at the exchange amounts. DRI Capital was paid servicer fees of $265,000 per quarter or $1,060,000 per annum.

Operating expenses

Operating expenses include consulting, legal, audit, administrative, and other operating expenses required to operate our business.

Unrealized/realized gains and losses on interest rate swap and foreign exchange swap

Fund I uses interest rate swaps and foreign exchange swaps to manage interest rate risk and foreign exchange risk. These derivative financial instruments are carried at fair value. Unrealized changes in the fair value of the interest rate swap and foreign exchange swap are presented in the combined and consolidated statement of income and comprehensive income as 'Net change in unrealized appreciation of interest rate swap' and 'Net change in unrealized (depreciation) appreciation of foreign exchange swap', respectively. Any realized fair value changes on the interest rate swaps are recorded within interest expense, while any realized fair value changes on the foreign exchange swap are shown as 'Net realized gain on foreign exchange swap'.

Results of Operations

The comparison of our historical results of operations for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Income							
Royalty income	$4,349,069	$9,641,770	$10,727,612	$25,258,450	$30,906,643	$49,114,775	$47,782,602
Interest income	—	—	—	54,918	54,918	157,954	73,778
	4,349,069	**9,641,770**	**10,727,612**	**25,313,368**	**30,961,561**	**49,272,729**	**47,856,380**
Expenses:							
Amortization of royalty investments	763,269	3,607,295	2,624,718	10,557,769	12,933,318	17,432,398	14,967,661
(Reversal of) impairment of royalty investments	—	—	—	(406,307)	(406,307)	302,921	103,386
Interest expense and finance fees	—	—	—	54,571	54,571	579,942	1,246,550
Servicer fees	—	—	—	265,000	265,000	1,060,000	1,060,000
Operating expenses	94,236	244,435	300,907	417,246	497,631	262,889	330,345
Net change in unrealized appreciation of interest rate swap	—	—	—	(10,580)	(10,580)	(86,730)	(214,379)
Net change in unrealized depreciation (appreciation) of foreign exchange swap	—	—	—	—	—	(138,251)	653,589
Net realized (gain) loss on foreign exchange swap	—	—	—	—	—	14,130	(60,466)
	857,505	**3,851,730**	**2,925,625**	**10,877,699**	**13,333,633**	**19,427,299**	**18,086,686**
Net income and comprehensive income	**$3,491,564**	**$5,790,040**	**$ 7,801,987**	**$14,435,669**	**$17,627,928**	**$29,845,430**	**$29,769,694**

Royalty income

Royalty income by product for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 is as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Core Products							
Xolair	$2,553,387	$2,641,185	$ 7,749,209	$ 7,759,525	$ 9,506,604	$11,518,319	$12,299,892
Natpara	375,285	2,364,230	1,155,957	9,852,736	9,604,892	12,126,240	7,694,548
FluMist	652,844	793,674	656,666	882,004	1,422,390	1,373,965	981,539
	3,581,516	**5,799,089**	**9,561,832**	**18,494,265**	**20,533,886**	**25,018,524**	**20,975,979**
Legacy Products							
TaqMan PCR	763,497	3,837,711	1,157,156	6,247,270	9,847,091	9,241,195	8,653,697
Advate	—	—	—	506,639	506,640	405,312	405,312
Remicade	—	—	—	—	—	2,405,575	3,241,265
Remicade II	—	—	—	—	—	12,039,555	14,164,420
PEG-Intron	—	—	—	—	—	(21,328)	243,984
Other[1]	4,056	4,970	8,624	10,276	19,026	25,942	97,945
	767,553	**3,842,681**	**1,165,780**	**6,764,185**	**10,372,757**	**24,096,251**	**26,806,623**
Total royalty income	**$4,349,069**	**$9,641,770**	**$10,727,612**	**$25,258,450**	**$30,906,643**	**$49,114,775**	**$47,782,602**

(1) Other represents royalty income received from legacy products which are fully amortized and where our entitlements have generally expired.

Three and nine months ended September 30, 2020 and 2019

Royalty income declined by $5,292,701, or 54.9%, in the three months ended September 30, 2020 compared to the prior year period primarily due to reduced royalties from Natpara. Royalties derived from Natpara were reduced because of manufacturing and delivery related difficulties that required Takeda, the product's marketer, to cease product sales in the United States in the third quarter of 2019. In January 2020, Takeda announced that there will be a delay of more than one year to bring Natpara back to the U.S. market. In addition, royalties on TaqMan PCR have declined as royalties in certain geographies have ended and the remaining entitlement ended in the third quarter of 2020. In addition, royalties on FluMist were lower than the prior year.

Royalty income declined by $14,530,838, or 57.5%, in the nine months ended September 30, 2020 compared to the prior year period primarily due to reduced royalties from Natpara and TaqMan PCR for the reasons described above. In addition, royalties earned on Advate ended in the first quarter of 2019 and royalties on FluMist and Xolair were lower than the prior year.

Years ended December 31, 2019 and 2018

Royalty income declined $18,208,132, or 37.1%, in 2019 compared to 2018, due primarily to the end of the entitlements for Remicade and Remicade II in 2018. In addition, U.S. royalties from Natpara were reduced as result of U.S. sales being halted in the third quarter of 2019 as noted above. Royalties declined for Xolair as our entitlement outside of the United States became a less material portion of our overall entitlement. The decline in royalty income was partially offset by growth in Flumist, TaqMan PCR and Advate royalty income over 2018.

Years ended December 31, 2018 and 2017

Royalty income increased by $1,332,173, or 2.8%, in 2018 compared to 2017, primarily due to higher royalties from Natpara due to strong sales in the United States and the launch of the product in the European Union. Royalties from FluMist also increased compared to 2017. Sales of this product increased in 2018 as the AAP and the CDC in the United States recommended the use of FluMist for the 2018-2019 flu season. This recommendation reversed the AAP's

and CDC's recommendations during the prior two flu seasons, during which they did not recommend the use of FluMist. In addition, royalty income increased for TaqMan PCR as a result of stronger sales. These increases in royalty income were offset by lower royalties earned in 2018 as the royalty entitlements for Remicade and Remicade II ended in 2018, with the final payment being made in the first quarter of 2019, lower royalties earned on Xolair due to lower sales, and given the royalty entitlement for PEG-Intron ended in 2017.

Interest income

Three and nine months ended September 30, 2020 and 2019

Interest income for the three and nine months ended September 30, 2020 was $nil compared to $nil and $54,918, respectively, in the prior periods. This was due to the closing of an interest bearing trust bank account in April 2019, concurrent with the repayment of the secured notes.

Years ended December 31, 2019 and 2018

Interest income declined by $103,036, or 65.2%, in 2019 compared to the prior year primarily due to the closing of an interest bearing trust bank account in April 2019, concurrent with the repayment of the secured notes. As a result, royalty collections were immediately distributed to LSRC S.à r.l., which maintained its own interest bearing bank account.

Years ended December 31, 2018 and 2017

Interest income increased by $84,176, or 114.1%, in 2018 compared to 2017, primarily due to higher interest rates earned on balances in the interest bearing trust bank account for our secured notes.

Amortization of royalty investments

Three and nine months ended September 30, 2020 and 2019

Amortization of royalty investments decreased by $2,844,026 or 78.8% in the three months ended September 30, 2020 compared to the prior year period primarily due to lower amortization for Natpara due to the suspension of U.S. royalties from Natpara as a result of U.S. sales being halted in the third quarter of 2019 due to manufacturing and delivery related difficulties. In addition, amortization for TaqMan PCR ended and there was lower amortization for FluMist and Xolair compared to the prior year period.

Amortization of royalty investments decreased by $7,933,051, or 75.1%, in the nine months ended September 30, 2020 compared to the prior year period primarily due a decrease in amortization for Natpara due to reduced sales in the first half of 2020 as U.S. sales were halted in the third quarter of 2019 as noted above. In addition, amortization for TaqMan PCR ended in 2020 and there was lower amortization for FluMist compared to the prior year period.

Years ended December 31, 2019 and 2018

Amortization of royalty investments decreased by $4,499,080, or 25.8%, in 2019 compared to the prior year primarily due to the end of amortization on Remicade and Remicade II with the expiry of those royalties in the first quarter of 2019 and lower amortization for Xolair in 2019.

Years ended December 31, 2018 and 2017

Amortization expense increased by $2,464,737, or 16.5%, in 2018 compared to 2017 primarily due to increased amortization on FluMist as the AAP and CDC recommended the use of FluMist for the 2018-2019 and future flu seasons increasing sales in 2018 and higher amortization for Natpara due to higher sales during 2018.

Impairment of royalty investments

During the years ended December 31, 2017 and 2018, we recognized impairment of royalty investments of $103,386 and $302,921, respectively. In 2017, the impairment was related to FluMist and was due to the AAP and the

CDC in the United States not recommending the use of FluMist for the 2016-2017 and 2017-2018 flu seasons, resulting in an impairment of $103,386. In 2018, the impairment was related to TaqMan in the amount of $406,307, due to lower expected future royalty receipts based on available information at the time. This was offset by a reversal of the impairment of $103,386 related to FluMist as the discounted future cash flows for FluMist exceeded the carrying value based on revisions to our projected cash flows due to the AAP and CDC recommendation to use FluMist for the 2018-2019 and future flu seasons.

During the nine months ended September 30, 2019, we recognized a reversal of the previously recognized impairment for TaqMan PCR in the amount of $406,307, as the discounted future cash flows for TaqMan PCR exceeded the carrying value based on revisions to our projected cash flows to reflect the then-current information on product sales.

Interest expense and finance fees

Three and nine months ended September 30, 2020 and 2019

Interest expense and finance fees for the three and nine months ended September 30, 2020 were $nil and $nil, compared to $nil and $54,571, respectively, for the comparable periods in 2019, and reflect amortized finance charges and interest paid on our secured notes while they were outstanding in 2019. These notes were fully repaid on April 15, 2019.

Years ended December 31, 2019 and 2018

Interest expense decreased by $525,371, or 90.6%, in 2019 compared to the prior year primarily due to the secured notes being fully repaid on April 15, 2019.

Years ended December 31, 2018 and 2017

Interest expense decreased by $666,608, or 53.5%, in 2018 compared to 2017, primarily due to continued quarterly repayments of our secured notes during 2018 reducing the outstanding balance upon which the interest is calculated.

Servicer fees

Three and nine months ended September 30, 2020 and 2019

Servicer fees for the three and nine months ended September 30, 2020 were $nil and $nil compared to $nil and $265,000, respectively, in the prior periods. This was due to the repayment of the secured notes on April 15, 2019, which terminated the servicing agreement resulting in only one quarter of servicer fees, of $265,000, being paid in 2019.

Years ended December 31, 2019 and 2018

Servicer fees incurred in 2019 were $795,000, or 75.0%, lower compared to $1,060,000 in 2018. This was due to the repayment of the secured notes on April 15, 2019, which terminated the servicing agreement resulting in only one quarter of servicer fees, of $265,000, being paid in 2019 compared to a full year in 2018.

Years ended December 31, 2018 and 2017

There were no changes in servicer fees in 2018 compared to 2017.

Operating expenses

The following table outlines the major categories of operating expenses:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Consulting	$64,314	$221,540	$224,253	$288,748	$341,988	$131,638	$186,124
Legal	—	—	—	43,912	43,912	6,871	13,742
Audit	7,002	6,252	24,425	28,546	36,790	46,557	47,181
Administrative	9,778	7,577	26,404	25,900	36,237	31,399	34,466
Other operating expenses	13,142	9,066	25,825	30,140	38,704	46,424	48,832
Total	**$94,236**	**$244,435**	**$300,907**	**$417,246**	**$497,631**	**$262,889**	**$330,345**

Three and nine months ended September 30, 2020 and 2019

Operating expenses decreased by $150,199, or 61.4%, in the three months ended September 30, 2020, compared to the same period of the prior year, primarily as a result of decreased fees paid to external consultants, offset by increased audit, administrative and other operating expenses.

Operating expenses decreased by $116,339, or 27.9%, in the nine months ended September 30, 2020, compared to the same period of the prior year, primarily as a result of decreased fees paid to external consultants and lower legal fees, audit fees and other operating expenses.

Years ended December 31, 2019 and 2018

Operating expenses increased by $234,742, or 89.3%, during 2019 compared to 2018, primarily due to increased fees paid to external consultants and increased legal expenses.

Years ended December 31, 2018 and 2017

Operating expenses decreased by $67,456, or 20.4%, during 2018 compared to 2017. The decline in 2018 is primarily due to a reduction in the use of external consultants.

Unrealized gains and losses on interest rate swap and foreign exchange swap

Years ended December 31, 2019, 2018 and 2017

The net change in unrealized appreciation of interest rate swap and net change in unrealized (depreciation) appreciation of foreign exchange swap reflect the movement in fair market value of these financial instruments due to movements in the LIBOR curve as a result of market interest rate movements and movements in foreign exchange rates, respectively.

As at December 31, 2019, no notional amount of the interest rate swap remained outstanding, as the interest rate swap contract matured on April 15, 2019 in connection with the repayment of our secured notes. In 2019, $10,570; in 2018, $79,337; and in 2017, $210,738 of realized losses on interest rate swaps were recorded within interest expense and finance fees.

Non-IFRS Financial Results

Fund I reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA.

As noted above, royalty income is recorded on an accrual basis when earned by Fund I in accordance with our contractual rights. Because of the lag between when we record royalty income and when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it

represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance.

Total Cash Royalty Receipts represents royalty income, plus royalties receivable – beginning of period, less royalties receivable – end of period. Total Cash Royalty Receipts refers to all cash royalty receipts from our portfolio rather than cash royalty receipts in respect of a particular product.

EBITDA represents net income and comprehensive income, adjusted for the following: (i) amortization of royalty investments, and (ii) interest expense and finance fees.

Adjusted EBITDA represents net income and comprehensive income: (i) plus amortization of royalty investments, (ii) plus interest expense and finance fees, (iii) plus royalties receivable at the beginning of period, (iv) less royalties receivable at the end of period, and reversing the impact of the following: (v) (reversal of) impairment of royalty investments, (vi) net change in unrealized appreciation of interest rate swap, and (vii) net change in unrealized (appreciation) depreciation of foreign exchange swap.

We believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of Fund I and the performance of its business.

Three and Nine Months Ended September 30, 2020 and 2019, and the Years Ended December 31, 2019, 2018, and 2017

The table below includes cash royalty receipts for the three and nine months ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017 for our Core Products and Legacy Products. Fund I does not own any Mature Products.

	Marketer	Therapeutic area	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019	For the years ended December 31, 2019	For the years ended December 31, 2018	For the years ended December 31, 2017
Core Products									
Xolair	Roche Novartis	Respiratory	$2,903,738	$2,753,205	$ 6,700,951	$ 5,943,209	$ 8,812,989	$12,471,184	$11,955,310
Natpara	Takeda	Endocrinology	355,314	3,733,009	960,019	10,758,657	12,941,793	10,757,244	6,819,469
FluMist	AstraZeneca	Vaccine	—	95,733	1,172,555	1,036,480	1,193,822	1,157,275	1,144,872
			3,259,052	**6,581,947**	**8,833,525**	**17,738,346**	**22,948,604**	**24,385,703**	**19,919,651**
Legacy Products									
TaqMan PCR	ThermoFisher	Diagnostics	350,349	2,493,068	3,180,566	7,226,252	9,776,771	9,134,369	8,559,985
Advate	Takeda	Hematology	—	—	—	506,639	506,639	405,312	405,312
Remicade	Johnson & Johnson Merck Mitsubishi Tanabe	Autoimmune Disease	—	—	—	68,825	68,825	2,906,970	3,293,433
Remicade II	Johnson & Johnson Merck Mitsubishi Tanabe	Autoimmune Disease	—	—	—	268,253	268,253	13,130,797	14,421,630
PEG-Intron	Merck	Infectious Disease	—	—	—	—	—	23,955	—
Other[1]			4,055	4,970	12,893	15,465	19,945	36,732	121,359
			354,404	**2,498,038**	**3,193,459**	**8,085,434**	**10,640,433**	**25,638,135**	**26,801,719**
Total Cash Royalty Receipts			**$3,613,456**	**$9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$50,023,838**	**$46,721,370**

(1) "Other" represents royalty income received from Legacy Products which are fully amortized and where our entitlements have generally expired.

Reconciliations of Non-IFRS measures

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	**2019**	**2020**	**2019**	**2019**	**2018**	**2017**
Royalty income	**$ 4,349,069**	**$ 9,641,770**	**$10,727,612**	**$25,258,450**	**$30,906,643**	**$ 49,114,775**	**$ 47,782,602**
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
Total Cash Royalty Receipts	**$ 3,613,456**	**$ 9,079,985**	**$12,026,984**	**$25,823,780**	**$33,589,037**	**$ 50,023,838**	**$ 46,721,370**
Net income and comprehensive income	**$ 3,491,564**	**$ 5,790,040**	**$ 7,801,987**	**$14,435,669**	**$17,627,928**	**$ 29,845,430**	**$ 29,769,694**
Amortization of royalty investments	763,269	3,607,295	2,624,718	10,557,769	12,933,318	17,432,398	14,967,661
Interest expense and finance fees	—	—	—	54,571	54,571	579,942	1,246,550
EBITDA	**$ 4,254,833**	**$ 9,397,335**	**$10,426,705**	**$25,048,009**	**$30,615,817**	**$ 47,857,770**	**$ 45,983,905**
Royalties receivable – beginning of period	5,513,584	9,103,848	7,548,569	10,230,963	10,230,963	11,140,026	10,078,794
Royalties receivable – end of period	(6,249,197)	(9,665,633)	(6,249,197)	(9,665,633)	(7,548,569)	(10,230,963)	(11,140,026)
(Reversal of) impairment of royalty investments	—	—	—	(406,307)	(406,307)	302,921	103,386
Net change in unrealized appreciation of interest rate swap	—	—	—	(10,580)	(10,580)	(86,730)	(214,379)
Net change in unrealized depreciation (appreciation) of foreign exchange swap	—	—	—	—	—	(138,251)	653,589
Adjusted EBITDA	**$ 3,519,220**	**$ 8,835,550**	**$11,726,077**	**$25,196,452**	**$32,881,324**	**$ 48,844,773**	**$ 45,465,269**

Adjusted EBITDA

Three and nine months ended September 30, 2020 and 2019

Adjusted EBITDA declined by $5,316,330, or 60.2% in the three months ended September 30, 2020 compared to the same period of 2019, primarily due to reductions in cash royalty receipts from Natpara, as a result of U.S. sales of Natpara being halted in the third quarter of 2019 due to manufacturing and delivery related difficulties. In addition, royalties on TaqMan PCR declined as royalties in certain geographies ended and the remaining entitlement ended in the third quarter of 2020. In addition, cash royalty receipts for FluMist were lower than in the prior period. This was offset by higher royalties for Xolair compared to the prior period.

Adjusted EBITDA declined by $13,470,375, or 53.5%, in the nine months ended September 30, 2020 compared to the same period of 2019, primarily due to reductions in cash royalty receipts from Natpara and TaqMan PCR, as noted above. In addition, cash royalty receipts for Advate ended in the first quarter of 2019. This was offset by higher cash royalty receipts for FluMist and Xolair during the period.

Years ended December 31, 2019 and 2018

Adjusted EBITDA declined by $15,963,449, or 32.7%, in 2019 compared to 2018, primarily due to the entitlements for Remicade and Remicade II ending in the first quarter of 2019, resulting in significantly lower cash royalty receipts. In addition, royalties declined for Xolair as our entitlement outside of the United States has begun to decline and became a less material portion of our entitlement. This was offset by higher cash royalty receipts from Natpara prior to the U.S. sales of Natpara being halted in the third quarter of 2019 as noted above and higher royalties received from Flumist and Advate.

Years ended December 31, 2018 and 2017

Adjusted EBITDA increased by $3,379,504, or 7.4%, in 2018 compared to 2017, primarily due to increased cash royalty receipts from Natpara due to strong sales in the United States and its launch in the European Union, and higher cash royalty receipts from Xolair and TaqMan PCR, offset by lower cash royalty receipts for Remicade and Remicade II.

Liquidity and Capital Resources

Overview

Our primary source of liquidity is cash provided by operating activities. For the nine months ended September 30, 2020 and 2019, we generated $11,786,746 and $38,894,919, respectively, in cash provided by operating activities. For

the years ended December 31, 2019, 2018, and 2017, we generated $46,301,471, $47,328,223, and $59,048,060, respectively, in cash provided by operating activities. We believe that 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 our obligations for the foreseeable future. We have historically operated at a low level of fixed operating costs.

We have a long track record of successfully funding our business by raising private capital and issuing secured notes. As at September 30, 2020, we have no outstanding secured notes. Fund I's ability to meet working capital needs depends on its future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other risk factors, many of which are beyond our control.

As of September 30, 2020, we had no secured notes outstanding. As of December 31, 2019, 2018, and 2017, we had total secured notes outstanding of $nil, $3,791,246 and $10,393,057 (total of current portion of $6,700,000 and non-current portion of $3,693,057), respectively. In April 2019, we fully repaid our outstanding secured notes.

Cash flows

Three and Nine Months Ended September 30, 2020 and 2019, and the Years Ended December 31, 2019, 2018, and 2017

The following table summarizes our cash flow activities for the three and nine months ended September 30, 2020 and 2019, and the years ended December 31, 2019, 2018, and 2017:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash provided by (used in):							
Operating activities	$ 3,540,333	$ 9,075,489	$ 11,786,746	$ 38,894,919	$ 46,301,471	$ 47,328,233	$ 59,048,060
Financing activities	($3,468,923)	($9,071,282)	($11,795,684)	($38,890,061)	($46,193,496)	($47,327,883)	($59,048,060)

There were no investing activities as Fund I's investment period ended in 2008.

Operating activities

Three and nine months ended September 30, 2020 and 2019

Cash provided by operating activities declined by $5,535,156, or 61.0%, in the three months ended September 30, 2020 compared to the same period of the prior year. The primary driver was reduced cash royalty receipts, offset by decreased cash operating expenses.

Cash provided by operating activities declined by $27,108,173, or 69.7%, in the nine months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in cash royalty receipts, and an increase in cash in the prior year related to the closing of the interest-bearing trust account related to our secured notes in April 2019, with the net proceeds being transferred to our main bank account. This was offset by decreased cash operating expenses when compared to the same period of the prior year.

Years ended December 31, 2019 and 2018

Cash provided by operating activities declined by $1,026,762, or 2.2%, in 2019 compared to 2018, primarily due to a decrease in cash royalty receipts, increased operating expenses and lower interest income due to the closure of the interest-bearing trust account in 2019.

Years ended December 31, 2018 and 2017

Cash provided by operating activities declined by $11,719,827, or 19.8%, in 2018 compared to 2017, primarily due to the decrease in funds held in trust in 2017, which impacted 2017 cash flow.

Financing activities

Three and nine months ended September, 2020 and 2019

Cash used in financing activities declined by $5,602,359, or 61.8%, in the three months ended September 30, 2020 compared to the same period of the prior year. The driver was a decrease in partner distributions of $5,602,359, or 61.8%, due to reduced cash royalty receipts.

Cash used in financing activities declined by $27,094,377, or 69.7%, in the nine months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in partner distributions of $24,194,036, or 67.2%, due to reduced cash royalty receipts, and the repayment of our secured notes of $3,800,000 in the prior period offset by an increase in restricted cash of $1,003,456 in the prior period and no interest paid in 2020 due to the repayment of our secured notes which resulted in the elimination of the restricted cash and no further interest payments.

Years ended December 31, 2019 and 2018

Cash used in financing activities in 2019 declined by $1,134,387, or 2.4%, in 2019 compared to 2018, primarily due to lower repayments on our secured notes of $2,900,000 compared to 2018 due to the full repayment of the secured notes on April 15, 2019, a decrease in restricted cash of $1,005,322 compared to the prior year as restricted cash was released with the repayment of the secured notes and lower interest paid of $480,184, offset by increases in partner distributions of $3,251,119.

Years ended December 31, 2018 and 2017

Cash used in financing activities in 2018 decreased $11,720,177 or 19.8% in 2018 compared to 2017, primarily as a result of decreases in partner distributions of $6,797,069 driven by lower cash provided by operating activities, as well as lower repayments on our secured notes of $4,300,000 and $623,997 in lower interest payments on our secured notes.

Sources of Capital and Borrowings

As of September 30, 2020, our cash and cash equivalents totaled $99,388. As of December 31, 2019, 2018 and 2017, our cash and cash equivalents totaled $108,326, $351 and $1, respectively.

Secured Notes Payable

The Series 2012-1 Class A-1 and 2012-1 Class A-2 secured notes were secured by the assets of Fund I and were fully repaid on April 15, 2019. Pursuant to the terms of the indenture agreements, principal payments on the secured notes were made quarterly following a prescribed formula and in the stated order of priority, after the deduction of allowable expenses, including interest, from the cash received from the royalty interest portfolio held by Drug Royalty LP 1. The terms of the notes required accelerated payments in certain events and also allowed for voluntary prepayments under certain circumstances.

We had the following indebtedness outstanding at September 30, 2020, and December 31, 2019, 2018 and 2017:

			As at September 30,	As at December 31,		
	Stated Final Maturity	Spread over LIBOR	2020	2019	2018	2017
Series 2012-1 Class A-1 bearing interest at three month LIBOR + 5.25%	July 15, 2024	5.25%	$—	$—	$1,326,936	$ 3,637,570
Series 2012-1 Class A-2 bearing interest at 5.80%	July 15, 2024	—	—	—	2,464,310	6,755,487
Total secured notes payable			**$—**	**$—**	**$3,791,246**	**$10,393,057**
Less current portion			**—**	**—**	**3,791,246**	**6,700,000**
Non-current portion			**$—**	**$—**	**$ —**	**$ 3,693,057**

Amortized finance charges of $8,754 in 2019, $98,189 in 2018 and $206,409 in 2017 were included in interest expense and finance fees in the combined and consolidated statement of income. With the repayment of the secured notes on April 15, 2019, the deferred finance fees have been fully amortized.

Uses of Capital

During its investment period, Fund I would use equity capital from its limited partners to acquire royalty investments. We use cash royalty receipts to pay for fees and expenses, minimizing the cash outlay from our investors. We also issued investment grade debt as a source of debt capital.

Distributions to Partners

In the nine months ended September 30, 2020, we made distributions of $11,795,684. For the years ended December 31, 2019, 2018, 2017 and in the nine months ended September 30, 2019, we made distributions of $43,293,155, $40,042,036, $46,839,105, and $35,989,720, respectively.

Summary Combined Consolidated Statement of Financial Position

The following table presents summarized consolidated balance sheets as at September 30, 2020, and December 31, 2019, 2018 and 2017, and January 1, 2017:

	As at September 30, 2020	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Current assets					
Cash and cash equivalents	$ 99,388	$ 108,326	$ 351	$ 1	$ 1
Restricted cash	—	—	1,003,456	—	—
Funds held in trust	—	—	13,677,646	12,263,816	25,738,358
Royalties receivable	6,249,197	7,548,569	10,230,963	11,140,026	10,078,794
Prepaid expenses and other assets	63,990	42,894	88,330	52,991	161,820
Non-current assets					
Royalty investments, at net book value	41,876,521	44,501,239	57,028,250	74,763,569	89,834,616
Fair value of foreign exchange swap	—	—	—	—	515,338
Restricted cash	—	—	—	1,001,590	1,000,613
Total assets	**$48,289,096**	**$52,201,028**	**$82,028,996**	**$99,221,993**	**$127,329,540**
Current liabilities					
Accounts payable and accrued liabilities	$ 101,224	$ 19,459	$ 380,374	$ 549,973	$ 718,390
Secured notes payable	—	—	3,791,246	6,700,000	11,000,000
Non-current liabilities					
Secured notes payable	—	—	—	3,693,057	10,186,648
Fair value of interest rate swap	—	—	10,580	97,310	311,689
Fair value of foreign exchange swap	—	—	—	138,251	—
Total liabilities	**$ 101,224**	**$ 19,459**	**$ 4,182,200**	**$11,178,591**	**$ 22,216,727**
Partners' equity	$48,187,872	$52,181,569	$77,846,796	$88,043,402	$105,112,813
Total liabilities and partners' equity	**$48,289,096**	**$52,201,028**	**$82,028,996**	**$99,221,993**	**$127,329,540**

September 30, 2020 compared to December 31, 2019

- Total assets were $48,289,096 as at September 30, 2020, compared to $52,201,028 as at December 31, 2019. Fund I's asset base primarily consists of royalty investments. The decrease in the total assets from December 31, 2019 reflected additional amortization on royalty investments and collection of royalties receivable.
- Total liabilities as at September 30, 2020 were $101,224, compared to $19,459 as at December 31, 2019. Liabilities are comprised largely of amounts payable and accrued liabilities for operating expenses.

- Total partners' equity decreased from $52,181,569 as at December 31, 2019 to $48,187,872 as at September 30, 2020, largely due to partner distributions of $11,795,684 offset by net income earned of $7,801,987.

December 31, 2019, 2018 and 2017

- Total assets were $52,201,028 as at December 31, 2019, compared to $82,028,996 at December 31, 2018 and $99,221,993 at December 31, 2017. Fund I's asset base in the periods primarily consisted of non-current assets such as royalty investments. The decrease in assets from December 31, 2017 reflected additional amortization on royalty investments, the expiry of royalties for Remicade, Remicade II, Advate and PEG-Intron, as well as the release of funds held in trust and restricted cash as a result of the repayment of our secured notes in April 2019 which resulted in net partner distributions.
- Total liabilities at December 31, 2019 were $19,459, compared to $4,182,200 at December 31, 2018 and $11,178,591 at December 31, 2017. Total liabilities in 2017 and 2018 consisted primarily of our secured notes. The decrease in liabilities from 2017 to 2019 was largely due to repayments of our secured notes in the amount of $6,700,000 in 2018 and $3,800,000 in 2019. The secured notes were fully repaid in April 2019.
- Total partners' equity at December 31, 2019 was $52,181,569 compared to $77,846,796 in 2018 and $88,043,402 in 2017. The decreases in partners' equity from 2017 reflect distributions to partners offset by net income earned.

Commitments, Contingencies and Guarantees

We do not have any commitments, contingencies or guarantees that would require disclosure or accrual of amounts in the combined and consolidated financial statements.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Related Party Transactions

DRI Capital is a company under common control with LSRC S.à r.l. DRI Capital is the sole limited partner of Drug Royalty LP 2, serves as the manager for LSRC S.à r.l. and served as the servicer for our secured notes. Servicer fees represent the amounts payable to DRI Capital based on amounts agreed to between DRI Capital and Fund I pursuant to a servicer agreement and are recorded at the exchange amounts.

Transactions and balances with DRI Capital during the three and nine months ended September 30, 2020 and 2019 were as follows:

- During the three and nine month period ended September 30, 2020, Fund I was not charged servicer fees by DRI Capital as the secured notes were repaid in April 2019 (2019 – $nil and $265,000).
- Included in accounts payable at September 30, 2020 is $64,338 (December 31, 2019 – $8,347) payable to DRI for reimbursement of third party costs incurred.

Transactions and balances with DRI Capital during the years ended December 31, 2019, 2018 and 2017 were as follows:

- During the year ended December 31, 2019, Fund I was charged servicer fees by DRI Capital in the amount of $265,000 (2018 – $1,060,000, and 2017 – $1,060,000)
- Included in accounts payable at December 31, 2019 is $8,347 (2018 – $280,180, and 2017 – $305,297) payable to DRI Capital for reimbursement of third party costs incurred.

Significant Accounting Judgments and Estimates

The preparation of the combined and consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined and consolidated

financial statements and the reported amounts of royalty income, expenses, other income during the year. Significant estimates relate to royalty income, provision for expected credit losses of royalties receivable, the timing of expected future debt repayment and fair values of interest rate swaps and foreign exchange swaps. Actual results could differ from those estimates and such differences could be material to the combined and consolidated financial statements.

In determining royalty income earned in a period, judgments are made with respect to the performance of the underlying products, and commercial factors based on historical and expected performance, our knowledge of each royalty investment and our regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amount receivable for 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 received is known.

Fund I reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires Fund I to use a valuation technique to determine if impairment exists. Fund I 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Fund I would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Financial instruments include cash, funds held in trust, restricted cash, royalties receivable, accounts receivable, accounts payable and accrued liabilities, foreign exchange swap and interest rate swap. Cash, funds held in trust, restricted cash, and the foreign exchange swap and interest rate swap are carried at fair value. The carrying value of royalties receivable, accounts payable and accrued liabilities represents fair value due to the immediate or short-term duration of these items.

There were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2020 or the years ended December 31, 2019, 2018 and 2017.

The fair value of foreign exchange and interest rate swaps were Level 2 measurements and based on publicly available pricing information on these derivative financial instruments.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are subject to certain risks which may affect our results of operations, cash flows and fair values of assets and liabilities, including volatility in foreign currency exchange rates and interest rate movements. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our cash equivalents are primarily held in short-term money market funds and the nature of our marketable securities is generally short-term. Although we currently do not have any interest rate swaps or foreign currency forward contracts in place, we have historically managed the impact of foreign currency exchange rate and interest rate risk through various financial instruments, and derivative instruments. We only use derivatives strategically to hedge existing interest rate exposure and to minimize volatility in cash flow and earnings arising from our exposure to foreign currency risk. We do not enter into derivative instruments for trading or speculative purposes. The counterparties to these contracts are all major financial institutions.

Foreign Currency Exchange Risk

Our results of operations are subject to foreign currency exchange risk through transactional exposure resulting from movements in exchange rates between the time we recognize royalty income and the time at which the transaction settles, or we receive the royalty payment. Because we are entitled to royalties on worldwide sales for various products, there is an underlying exposure to foreign currency as the marketer converts payment amounts from local currencies to U.S. dollars using a quarterly average exchange rate. Therefore, cash received may differ from the estimated receivable based on fluctuations in currency. As a result, significant changes in foreign exchange rates can impact our results. We manage this risk by using foreign exchange derivatives, such as swaps to limit potential foreign exchange losses.

Interest Rate Risk

We are subject to interest rate fluctuation exposure through our borrowings under secured notes payable and our overnight cash investment in money market instruments, the majority of which bear a variable interest rate for funds held in trust and restricted cash. As of September 30, 2020, we held funds held in trust of $nil and restricted cash of $nil as these amounts were no longer required to be held upon the repayment of the secured notes payable in April 2019.

As of December 31, 2019, we held funds held in trust of $nil and restricted cash of $nil as these amounts were no longer required to be held upon the repayment of the secured notes payable in April 2019. As of December 31, 2018, we held funds held in trust of $13,677,646 and restricted cash of $1,003,456 which were all subject to overnight cash investment. As of December 31, 2017, we held funds held in trust of $12,263,816 and restricted cash of $1,001,590 which were all subject to overnight cash investment. As funds are invested on an overnight basis with a major U.S. bank we do not believe that a decrease in interest rates would have any material negative impact on the value of funds held in trust and restricted cash.

Our debt portfolio is managed on a consolidated basis and DRI Capital manages the debt to achieve the lowest cost of debt capital. As of December 31, 2019, we held secured notes of $nil as the secured notes had been repaid in April 2019. As of December 31, 2018 and 2017, 65% of our secured notes payable was at a fixed rate of interest of 5.8%. The remaining debt held an interest rate of LIBOR + 5.25%.

Credit and Counterparty Risk

Credit risk arises from the possibility that Fund I's debtors may experience financial difficulty and be unable to fulfill their financial obligations. Fund I's royalty receivable are concentrated in the pharmaceutical and health sciences industry. Fund I monitors its exposure to its counterparties on a regular basis.

As of September 30, 2020, royalties receivable representing greater than 10% of the balance receivable included $5,467,188 related to royalties receivable from two counterparties. As of December 31, 2019, royalties receivable included $7,244,640 (2018 – $8,948,531, 2017 – $10,356,269) from three (2018 – three, 2017 – four) counterparties.

For the three month period ended September 30, 2020, royalty income included $3,332,947 (2019 – $8,843,126) from two (2019 – three) counterparties. For the nine month period ended September 30, 2020, royalty income included $9,031,882 (2019 – $23,859,531) from two (2019 – three) counterparties.

For the year ended December 31, 2019, royalty income included $28,958,587 (2018 – $47,329,884, 2017 – $46,053,821) from three (2018 – four, 2017 – four) counterparties.

We monitor the financial performance and creditworthiness of the counterparties to our royalty agreements and to our derivative contracts so that we can properly assess and respond to changes in their credit profile. To date, we have not experienced any significant losses with respect to the collection of income or revenue on our royalty investments.

Consolidated financial statements of

Drug Royalty III, L.P.

Years ended December 31, 2019, 2018 and 2017

DRUG ROYALTY III, L.P.

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Independent Auditor's Report

To the Partners of
Drug Royalty III, L.P.

Opinion

We have audited the consolidated financial statements of Drug Royalty III, L.P. (the "Fund"), which comprise the consolidated statements of financial position as at December 31, 2019, 2018 and 2017 and January 1, 2017, and the consolidated statements of income and comprehensive income, changes in partners' equity and cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 10, 2021

DRUG ROYALTY III, L.P.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Income			
Royalty income	**144,300,491**	219,768,326	132,891,942
Interest and other income	**969,129**	669,921	144,666
	145,269,620	220,438,247	133,036,608
Expenses			
Amortization of royalty investments	**82,631,024**	143,045,271	94,639,290
Impairment of royalty investments (Note 4)	**9,880,791**	—	3,246,178
Interest expense and finance fees (Note 6)	**10,285,629**	10,425,179	10,394,896
Servicer fees (Note 8)	**1,600,000**	1,600,000	1,600,000
Management fees (Note 8)	**—**	5,480,070	10,960,140
Operating expenses (Note 11)	**2,659,759**	1,801,970	3,362,542
Net change in unrealized depreciation of interest rate swap (Note 10)	**152,517**	285,417	169,146
Net change in unrealized depreciation of foreign exchange swaps (Note 10)	**489,000**	96,005	2,296,296
Net realized (gain) loss on foreign exchange swap	**(633,056)**	(294,299)	71,558
	107,065,664	162,439,613	126,740,046
Net income and comprehensive income	**38,203,956**	57,998,634	6,296,562
Attributable to:			
Owners of the Partnership	**27,488,605**	41,490,019	4,253,028
Non-controlling interest (Note 12)	**10,715,351**	16,508,615	2,043,534
Net income and comprehensive income	**38,203,956**	57,998,634	6,296,562

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in U.S. dollars)

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$
Assets				
Current assets				
Cash and cash equivalents	**2,404,889**	66,482,757	2,820,267	75,000
Funds held in trust (Note 6)	**51,247,731**	82,082,645	49,417,460	17,053,001
Royalties receivable (Note 10)	**21,373,264**	80,433,376	47,884,361	26,585,579
Accounts receivable	**55,469**	231,815	43,070	13,060
Prepaid expenses and other assets (Note 13)	**111,885**	49,919	183,760	101,064
Deferred charges	**—**	14,539	157,523	391,207
Total current assets	**75,193,238**	229,295,051	100,506,441	44,218,911
Non–current assets				
Royalty investments, at net book value (Note 4)	**208,308,202**	300,820,017	290,496,747	331,397,948
Restricted cash (Note 5)	**3,755,424**	5,340,501	4,598,676	2,745,263
Fair value of interest rate swap (Note 9)	**7,920**	160,437	35,854	—
Fair value of foreign exchange swap (Note 9)	**917,174**	1,406,174	394,962	2,057,931
Total non–current assets	**212,988,720**	307,727,129	295,526,239	336,201,142
Total Assets	**288,181,958**	537,022,180	396,032,680	380,420,053
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	**2,196,420**	2,840,255	3,636,197	2,568,327
Secured notes payable (Note 6)	**72,253,190**	87,495,680	69,966,544	48,058,075
Management fees payable	**—**	—	2,740,035	2,740,035
Credit facility payable (Note 7)	**—**	—	—	51,933,514
Total current liabilities	**74,449,610**	90,335,935	76,342,776	105,299,251
Non–current liabilities				
Secured notes payable (Note 6)	**87,188,610**	159,334,775	153,621,001	83,993,676
Total non–current liabilities	**87,188,610**	159,334,775	153,621,001	83,993,676
Total Liabilities	**161,638,220**	249,670,710	229,963,777	189,293,627
Equity				
Attributable to owners of the Partnership	93,077,067	227,804,593	121,107,700	170,190,546
Non-controlling interest (Note 12)	33,466,671	59,546,877	44,961,203	20,935,880
Total Equity	**126,543,738**	287,351,470	166,068,903	191,126,426
Total Liabilities and Equity	**288,181,958**	537,022,180	396,032,680	380,420,053

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	Total attributable to the owners of the Partnership	Non-controlling interest	Total
	$	$	$
Balance, January 1, 2017	**170,190,546**	**20,935,880**	**191,126,426**
Net income for the year	4,253,028	2,043,534	6,296,562
Capital contributions	55,869,048	62,524,089	118,393,137
Distributions	(109,204,922)	(40,542,300)	(149,747,222)
Balance, December 31, 2017	**121,107,700**	**44,961,203**	**166,068,903**
Net income for the year	41,490,019	16,508,615	57,998,634
Capital contributions	121,847,382	12,882,579	134,729,961
Distributions	(56,640,508)	(14,805,520)	(71,446,028)
Balance, December 31, 2018	**227,804,593**	**59,546,877**	**287,351,470**
Net income for the year	27,488,605	10,715,351	38,203,956
Distributions	(162,216,131)	(36,795,557)	(199,011,688)
Balance, December 31, 2019	**93,077,067**	**33,466,671**	**126,543,738**

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Operating activities			
Net income	**38,203,956**	57,998,634	6,296,562
Adjusted for following			
Amortization of royalty investments	**82,631,024**	143,045,271	94,639,290
Amortization of deferred finance fees	**2,073,587**	2,370,806	2,649,845
Amortization of deferred charges	**14,539**	142,984	259,996
Impairment of royalty investments	**9,880,791**	—	3,246,178
Interest income	**(964,129)**	(664,921)	(139,666)
Interest received	**1,140,475**	476,176	100,762
Interest expense	**8,212,042**	7,752,092	7,293,157
Sale (Purchase) of interest rate swap	**—**	(410,000)	(205,000)
Sale (Purchase) of foreign exchange swap	**—**	(1,107,217)	(633,327)
Decrease (increase) in funds held in trust	**30,834,914**	(32,665,185)	(32,364,459)
Decrease (increase) in royalties receivable	**59,060,112**	(32,549,015)	(21,298,782)
Decrease (increase) in accounts receivables	**—**	—	8,894
Decrease (increase) in prepaid and other assets	**(61,966)**	133,841	(82,696)
Increase (decrease) in accounts payable and accrued liabilities	**(380,105)**	(597,660)	378,014
Decrease in management fees payable	**—**	(2,740,035)	—
Increase in deferred charges	**—**	—	(26,312)
Net change in unrealized depreciation interest rate swap	**152,517**	285,417	169,146
Net change in unrealized depreciation of foreign exchange swaps	**489,000**	96,005	2,296,296
	231,286,757	141,567,193	62,587,898
Investing activities			
Acquisition of royalty investments	**—**	(153,368,541)	—
	—	(153,368,541)	—
Financing activities			
Capital contributions	**—**	134,729,961	61,408,870
Distributions	**(199,011,688)**	(71,446,028)	(149,747,222)
Decrease (increase) in restricted cash	**1,585,077**	(741,825)	(1,853,413)
Issuance of secured notes payable	**—**	95,000,000	142,500,000
Repayment of secured notes payable	**(89,462,242)**	(71,921,994)	(49,873,586)
Cost to issue secured notes payable	**—**	(2,205,902)	(3,740,465)
Interest paid	**(8,475,772)**	(7,950,374)	(6,603,301)
Advances from credit facility	**—**	111,728,450	3,162,898
Repayment of credit facility	**—**	(111,728,450)	(55,096,412)
	(295,364,625)	75,463,838	(59,842,631)
Net change in cash	**(64,077,868)**	63,662,490	2,745,267
Cash and cash equivalents, beginning of year	**66,482,757**	2,820,267	75,000
Cash and cash equivalents, end of year	**2,404,889**	66,482,757	2,820,267
Non-cash financing and investing activities			
Acquisition of royalty investments through non-controlling interests capital contribution on settlement	**—**	—	(56,984,267)

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

1. Nature of the Partnership

Drug Royalty III, L.P. ("Drug Royalty" or the "Partnership") is a limited partnership established by a Partnership Agreement dated November 28, 2012 for an unlimited period of time.

The Partnership owns 73.07% of Drug Royalty III LP 2 and the remaining 26.93% is owned by LSRC III S.à r.l which is a private limited liability company (Société à responsabilité limitée). The Partnership jointly controls DRC Management III LLC 1, DRC Management III LLC 2 and DRC Springing III LLC, which are partnerships, with LSRC III S.à r.l.

The General Partner of the Partnership is Drug Royalty III GP, LLC. The Partnership's investment commencement date was July 1, 2013 (the "Investment Commencement Date").

The Partnership's principal business activity is to invest in royalty investments relating to pharmaceutical drugs, devices, and delivery technologies. The Partnership and LSRC III S.à r.l purchase royalty investments on a 73.07% and 26.93% ownership basis, which is consistent with their ownership of Drug Royalty III LP2, and they each hold their share of the royalty investment directly until securitized at which time substantially all of the Partnership's royalty investments are transferred to its subsidiary Drug Royalty III LP 2. Drug Royalty III LP 2 transfers the asset to its wholly-owned subsidiary Drug Royalty III LP 1 for securitization. The asset and liabilities and results of operations of Drug Royalty III LP 1 are consolidated with Drug Royalty III LP 2.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Partnership's first set of financial statements reported under IFRS. Accordingly, IFRS 1, *First–time Adoption of IFRS* ("IFRS 1"), has been applied.

IFRS 1 allows first-time adopters certain optional exemptions and mandatory exceptions from the general requirements contained in IFRS. The Partnership has applied the following required exceptions in its opening IFRS balance sheet as at January 1, 2017, the Partnership's transition date:

- Financial assets and liabilities that had been de-recognized before the date of transition to IFRS have not been recognized under IFRS.
- The estimates used by the Partnership are in accordance with IFRS and reflect conditions at January 1 2017, the date of transition to IFRS.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 9), cash, funds held in trust, and restricted cash that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Partnership, and they are consolidated from the date on which control is transferred to the Partnership until the date that control ceases. Balances and transactions between the Partnership's subsidiaries have been eliminated on consolidation.

On loss of control of a subsidiary, the Partnership derecognizes the assets and liabilities of the entity, and any related non-controlling interests and equity. Any gain or loss is recognized in the consolidated statement of income and comprehensive income and any retained interests are measured at fair value at the date of loss of control. Changes in the Partnership's interest that do not result in a loss of control are accounted for as equity transactions.

When a subsidiary is not wholly-owned the Partnership recognizes the non-controlling interests' share of the net assets and results of operations in the subsidiary separately from the Partnership's interest. Profit or loss as reported in the statement of income and comprehensive income is attributed to the owners of the Partnership and to the non-controlling interests.

When the proportion of the equity held by non-controlling interests' changes without resulting in a change of control, the carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. In these situations, the Partnership recognizes directly in equity the effect of the change in ownership of a subsidiary on the non-controlling interests. Similarly, after recognizing its share of the profit and loss, the non-controlling interest is adjusted for its share of the equity contribution made that does not modify the interest held by either party. The effect of these transactions is presented in the consolidated statement of changes in partners' equity.

(d) Functional and presentation currency

These consolidated financial statements are presented in United States dollars ("USD"), which is the Partnership's and wholly owned subsidiaries' functional currency.

2. Basis of preparation (continued)

(e) Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of royalty income, expenses, other income during the year. Significant estimates relate to royalty income, provision for expected credit losses of royalties receivable, the timing of expected future debt repayment and fair values of interest rate swaps and foreign exchange swaps. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements.

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for 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 received is known.

The Partnership reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Partnership to use a valuation technique to determine if impairment exists. The Partnership 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 transaction value (or acquisition price) of similar transactions subsequent to the acquisition of the investment. As a result, the estimated cash flows the intangible assets are expected to generate could differ from actual results.

As the Partnership's equity is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the consolidated financial statements.

3. Summary of significant accounting policies

These annual consolidated financial statements have been prepared using the accounting policies described below:

(a) Consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Partnership and its subsidiaries as defined below.

Entity	Economic Interest (held directly and/or indirectly
Drug Royalty III LP 1[1]	73.07%
Drug Royalty III LP 2	73.07%
ROC Royalties S.à r.l.[2]	73.07%

(1) Wholly owned by Drug Royalty III LP 2

(2) Wholly owned by Drug Royalty III LP 1

Control is achieved when the Partnership is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Partnership controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

All intercompany transactions and balances have been eliminated upon consolidation.

(ii) Joint ventures

The Partnership has a 50% interest in DRC Management III LLC 1 and DRC Management III LLC 2 and DRC Springing III LLC. For more details, refer to Note 13.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and short-term deposits with terms of three months or less on the date of acquisition.

3. Summary of significant accounting policies (continued)

(c) Royalties receivables

Royalties receivables are recognized initially at fair value and are subsequently measured at amortized cost.

At each reporting date, the Partnership measures the loss allowance on royalty receivables at an amount equal to the lifetime expected credit loss given the term of the receivables is 12 months or less. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance might be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

(d) Royalty income

The Partnership records the amount of royalty payments received or receivable as royalty income. The Partnership typically earns royalties as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalties are tied to the subsequent sales by the third party. The third parties, however, report and pay royalties owed for sales in any given quarter after the conclusion of that quarter, and, in some instances, although royalties are reported quarterly, payment is on a semi-annual or annual basis.

The Partnership estimates and records the royalty income earned for sales by third parties in the period in which such sales occur, based on reasonable estimates of such amounts. When reasonable estimates cannot be made, the Partnership records income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties.

The Partnership's royalty income is based on the contractual rights to revenue streams which are based on the related underlying patent and/or exclusivity protection of the pharmaceutical products invested in by the Partnership.

(e) Royalty investments

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

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized in expenses over the useful life of the asset and are net of any impairment.

The Partnership amortizes royalty investments with a finite useful life on a systematic basis over its expected life. The amortization is determined based on the expected pattern of consumption of the future economic benefits embodied in each royalty investment. The expected life of the asset is based upon the contractual terms of the entitlement and is used to determine the expected end date of the royalty entitlement. Expected useful life is separately considered for each royalty investment and is reviewed at the end of each reporting period

(f) Impairment of royalty investments

Royalty investments are tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs of disposal), for each individual asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount.

The Partnership bases its impairment calculation on most recent internally or externally sourced forecasts which are based on the full period of the royalty entitlement.

A previously recognized impairment loss is assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the intangible asset's adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

(g) Derivative financial instruments

The Partnership enters into a variety of derivative financial instruments such as foreign exchange swaps and interest rate swaps to manage its exposure to risks, such as foreign exchange risks and interest rate risk.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Partnership has not formally designated any hedge relationship. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

3. Summary of significant accounting policies (continued)

(h) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Partnership's share of the profit or loss and other comprehensive income of the joint venture. When the Partnership's share of losses of a joint venture exceeds the Partnership's interest in that joint venture, the Partnership discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Partnership has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Partnership tests investments in joint ventures for impairment or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. An impairment loss is recognized for the amount by which asset's carrying amount exceeds its recoverable amount. A previously recognized impairment loss is assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the joint venture's adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

(i) Foreign currency translation and transactions

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

(j) Income taxes

No United States federal income taxes have been provided for by the Partnership in the accompanying consolidated financial statements as the entity is considered a partnership for United States tax purposes that is not subject to federal income taxes unless otherwise elected. Income from the Partnership is included in the tax returns of the partners.

(k) Fair value measurement

The Partnership reports in accordance with the provisions of IFRS 13, *Fair Value Measurement* ("IFRS 13"). Under IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

For further information on financial assets and liabilities measured at fair value, see Note 9.

(l) Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. At initial recognition, all financial assets classified as amortized cost, fair value through profit or loss ("FVTPL"), and fair value through

(Expressed in U.S. dollars)

3. Summary of significant accounting policies (continued)

(l) Financial instrument (continued)

other comprehensive income ("FVOCI") are measured at fair value. The Partnership classifies its financial assets in the following categories:

- Financial assets at amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held in a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets within this category are subsequently measured at amortized cost using the effective interest method.
- Financial assets at fair value through profit and loss ("FVTPL"): Financial assets not classified as amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Partnership may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value, with net gains or losses, including any interest or dividend income, recognized through profit or loss.

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

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

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4. Royalty investments

Royalty investments held by the Partnership are as follows:

	2019	2018	2017
	$	$	$
Cost			
At January 1,	**576,310,457**	422,941,916	365,957,649
Additions	**—**	153,368,541	56,984,267
At December 31,	**576,310,457**	576,310,457	422,941,916
Amortization and impairment			
At January 1,	**275,490,440**	132,445,169	34,559,701
Amortization	**82,631,024**	143,045,271	94,639,290
Impairment	**9,880,791**	—	3,246,178
At December 31,	**368,002,255**	275,490,440	132,445,169
Net book value			
At January 1,	**300,820,017**	290,496,747	331,397,948
At December 31,	**208,308,202**	300,820,017	290,496,747

The Partnership recognized impairments of royalty investments during the years ended December 31, 2019 and 2017.

In 2019, the impairment related to the investment in Spinraza and was attributable to changes in the competitive environment for Spinraza including the impact of competing products, the results of a review of clinical data and market disclosures which decreased the forecasted future cash flows for Spinraza. As a result, the carrying value of Spinraza exceeded its discounted future cash flows and an impairment was recognized.

In 2017, the impairment related to the investment in Ampyra, and was attributable to the impact of a court decision to invalidate four of five of Ampyra's underlying patents. As a result, the carrying value of Ampyra exceeded its discounted future cash flows and an impairment was recorded.

(Expressed in U.S. dollars)

4. Royalty investments (continued)

Royalty investments include the following royalty assets at net book value:

	Expected royalty expiry	2019	2018	2017	January 1, 2017
		$	$	$	$
Spinraza	Q3 2031	**99,179,172**	124,295,361	—	—
Eylea I	Q1 2027	**18,108,544**	23,092,035	27,793,142	31,694,632
Eylea II	Q1 2027	**8,593,445**	10,665,224	12,514,779	14,098,986
Zytiga	Q2 2028	**30,245,869**	39,217,764	46,231,964	52,381,160
Rydapt	Q1 2025	**20,715,121**	24,124,635	—	—
Rilpivirine Portfolio[1]	Q2 2021	**27,245,421**	46,142,190	63,544,144	57,117,284
DRIT Portfolio[2]	Q1 2025	**4,220,630**	22,340,399	38,988,559	51,934,326
Keytruda	Q4 2019	**—**	10,942,409	91,877,092	98,681,035
Ampyra	Q4 2018	**—**	—	9,547,067	25,490,525
Total		**208,308,202**	300,820,017	290,496,747	331,397,948

(1) The investment in the Rilpivirine Portfolio consists of an agreement to receive royalties on products that include rilpiverine, including sales of Complera, Edurant, Odefsey and Juluca.

(2) The investment in Drug Royalty Investment Trust ("DRIT Portfolio") consists of an agreement to receive royalties on sales of Stelara, Simponi and Ilaris.

5. Restricted cash

Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes (Note 6), the Partnership is required to maintain certain deposits in the name of the indenture trustee (the "Trustee") for the benefit of secured parties for the payment of interest (the "Reserve Account") as well as an amount on deposit to be utilized to make any required contingent payments for royalty and/or equity assets (the "Contingency Reserve Account").

The amount deposited in the Reserve Account is equal to the greater of (i) $1 million or (ii) the product of (A) the current interest due on all Series Notes up to the current payment date, and (B) a fraction, the numerator of which is 180 and the denominator of which is the actual number of days in the related collection period.

The amount deposited in the Contingency Reserve Account will be the sum of contingent payments reasonably expected to become due on royalty asset obligation.

Restricted cash includes cash and cash equivalents, which represent short–term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, and are carried at fair value.

6. Secured notes payable

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$
Series 2016–1 Notes (a) Bearing interest at 3.979% with a stated final maturity of April 15, 2027	**20,327,743**	59,193,010	97,285,131	132,051,751
Series 2017–1 Class A–1 (a)(b) Bearing interest at three month LIBOR + 2.50% with a stated final maturity of April 15, 2027	**32,620,477**	47,356,849	63,151,207	—
Series 2017–1 Class A–2 (a) Bearing interest at 3.60% with a stated final maturity of April 15, 2027	**32,620,477**	47,356,849	63,151,207	—
Series 2018–1 Class A–1 (a)(c) Bearing interest at three month LIBOR + 1.60% with a stated final maturity of October 15, 2031	**34,720,358**	43,674,161	—	—
Series 2018–1 Class A–2 (a) Bearing interest at 4.27% with a stated final maturity of October 15, 2031	**39,152,745**	49,249,586	—	—
	159,441,800	246,830,455	223,587,545	132,051,751
Less Current portion	**72,253,190**	87,495,680	69,966,544	48,058,075
	87,188,610	159,334,775	153,621,001	83,993,676

(Expressed in U.S. dollars)

6. Secured notes payable (continued)

During 2018, the Partnership issued $47,000,000 in Series 2018 – 1 Class A – 1 secured notes and $53,000,000 Series 2018 – 1 Class A – 2 secured notes and incurred financing costs of $2,205,902. During 2017, the Partnership issued $75,000,000 in Series 2017 – 1 Class A – 1 secured notes and $75,000,000 in Series 2017 – 1 Class A – 2 secured notes and incurred financing costs of $3,740,465. The financing costs are deferred finance fees deducted from the carrying value of the secured notes payable and are amortized using the effective interest method.

(a) Pursuant to the terms of the Series 2016 – 1, 2017 – 1, and 2018 – 1 Indenture Agreements, principal payments on the secured notes are made quarterly following a prescribed formula and in the stated order of priority, after the deduction of allowable expenses including interest, from the cash received from the royalty interest portfolio held by the Partnership. The terms of the notes require accelerated payments in certain events and allow for voluntary prepayments under certain circumstances.

The Series 2016 – 1, Series 2017 – 1 Class A – 1 and Class A – 2 and Series 2018 – 1 Class A – 1 and Class A – 2 Notes are secured by the assets of the Partnership. The notes have a final stated maturity date; however, the actual maturity will differ depending on the amount and timing of principal payments.

(b) With the issuance of the 2017 – 1 Class A – 1 Note, the Partnership purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2017 – 1 Class A – 1 Note at 3.00%.

(c) With the issuance of the 2018 – 1 Class A – 1 Note, the Partnership purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2018 – 1 Class A – 1 Note at 3.25%.

(d) The repayment schedule below is based on the most likely repayment schedule for the notes based on the timing and amount of expected future royalty income to be received. Actual repayments may vary depending on the timing and amount of actual receipts and the resulting impact on the payment provisions as provided for in the Indenture Agreement. As of December 31, 2019, the expected principal repayment schedule for the outstanding series secured notes is as follows:

	Series 2018 – 1 Class A – 1	Series 2018 – 1 Class A – 2	Series 2017 – 1 Class A – 1	Series 2017 – 1 Class A – 2	Series 2016 – 1	Total
	$	$	$	$	$	$
2020	6,875,207	7,752,893	19,129,449	19,129,449	20,385,466	73,272,464
2021	8,300,435	9,360,065	13,760,165	13,760,165	—	45,180,830
2022	9,347,478	10,540,773	—	—	—	19,888,251
2023	7,359,660	8,299,191	—	—	—	15,658,851
2024	3,467,519	3,910,181	—	—	—	7,377,700
	35,350,299	**39,863,103**	**32,889,614**	**32,889,614**	**20,385,466**	**161,378,096**

(e) Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes payable, the Partnership is required to maintain a trust account in the name of the indenture trustee (the "Trustee") into which royalty payments received, advances and other collections must be deposited. On a quarterly basis, the Trustee distributes the amounts collected to various parties as fees for services or, in the case of secured note holders, for the payment of interest and principal. The prioritization and amount of such payments is determined pursuant to the terms of the Indenture Agreement.

Funds held in trust include cash and cash equivalents which represent short–term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value.

7. Credit facility payable

On July 1, 2015, the Partnership, together with LSRC III S.à r.l (collectively the "Borrowers") entered into a $100,000,000 (with an option to increase to $200,000,000) revolving credit facility (the "Credit Facility") with Bank of America, N.A. as lender for a term of three years with an option to extend for an additional year. The Credit Facility is secured by the unfunded capital commitments of the limited partners of the Partnership, which include Drug Royalty III (Feeder DE), L.P., Drug Royalty III (Feeder EU), L.P., Drug Royalty III (Feeder LU), S.à r.l, and the shareholders of LSRC III Sarl. The Credit Facility shall bear interest, at the Borrower's option of: (a) 1-month, 3-month or 6-month LIBOR plus 165 basis points, or (b) a specified base rate as elected by the Borrower at each draw date. The Credit Facility also attracts a 25 basis point unused fee per annum on the daily unused Credit Facility amount of the prior month. The credit facility was terminated on July 27, 2018.

8. Related party transactions

DRI Capital Inc. ("DRI") serves as Investment Manager for the Partnership. Investment management fees are payable by the Partnership pursuant to the investment management agreement and consist of management and performance fees. Management fees from the Investment Commencement Date as per the Partnership Agreement until the termination of the commitment period are determined based on 1.5% per annum of capital committed for the Partnership. On November 22, 2016, DRI agreed to waive management fees after the termination of the

(Expressed in U.S. dollars)

8. Related party transactions (continued)

commitment period. Performance fees, subject to limitations, are based on a specified percentage of the difference between the asset base less the sum of distributable cash and financing proceeds.

DRI also provides administrative services to the Partnership to service the debt of the Partnership. Amounts payable to DRI for servicer fees are based on amounts as agreed to between DRI and the Partnership pursuant to the Servicer Agreement and are recorded at the exchange amounts.

Transactions and balances with DRI not disclosed elsewhere in these consolidated financial statements are as follows:

(a) During the year ended December 31, 2019, the Partnership was charged no management fees by DRI (2018 – $5,480,070, 2017 – $10,960,140).

(b) During the year ended December 31, 2019, the Partnership was charged servicer fees by DRI in the amount of $1,600,000 (2018 – $1,600,000, 2017 – $1,600,000).

(c) Included in accounts payable at December 31, 2019 is $544,177 (2018 – $1,055,353, 2017 – $3,606,264) payable to DRI for reimbursement of third party costs incurred.

9. Fair value

Financial instruments include cash and cash equivalents, funds held in trust, restricted cash, royalties receivable, accounts receivable, accounts payable and accrued liabilities, foreign exchange swap and interest rate swap. Funds held in trust, restricted cash, foreign exchange swap, and interest rate swap are carried at fair value. The carrying value of cash and cash equivalents, royalties receivable, accounts receivable, accounts payable and accrued liabilities represents fair value due to the immediate or short-term duration of these items.

The following table illustrates the fair value hierarchy of assets and liabilities and the level at which each are measured.

	December 31, 2019		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	—	**7,920**	—
Foreign exchange swap	—	**917,174**	—

	December 31, 2018		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	—	160,437	—
Foreign exchange swap	—	1,406,174	—

	December 31, 2017		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	—	35,854	—
Foreign exchange swap	—	394,962	—

	January 1, 2017		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	—	—	—
Foreign exchange swap	—	2,057,931	—

There were no transfers between Levels during the year.

10. Financial instruments risk management

The Partnership is exposed to the following risks related to its financial instruments:

(i) Credit risk

Credit risk arises from the possibility that the Partnership's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The Partnership's royalties receivable are concentrated in the pharmaceutical and health sciences industry. The Partnership monitors its exposure to its counterparties on a regular basis. As of December 31, 2019, royalties receivable included

(Expressed in U.S. dollars)

10. Financial instruments risk management (continued)

(i) Credit risk (continued)

$19,600,451 (2018 – $71,601,553, 2017 – $41,436,694, January 1, 2017 – $13,931,629) related to royalties receivable from three (2018 – two, 2017 – two) counterparties. For the year ended December 31, 2019, royalty income representing greater than 10% of total royalty income included $123,836,093 (2018 – $173,333,625, 2017 – $85,539,012) related to royalty income from five (2018 – three, 2017 – three) counterparties.

(ii) Interest rate risk

The Partnership was exposed to changes in interest rates on its Series 2017–1 Class A–1 and Series 2018–1 Class A–1 secured notes payable. The Partnership entered into two (2018 – two, 2017 – one) interest rate swap transactions to reduce its exposure to fluctuations in interest rates (Note 6).

Information about the Partnership's interest rate derivatives is as follows:

	2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	**481,936,829**	**7,920**	**(152,517)**

	2018		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	830,875,879	160,437	(285,417)

	2017		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	36,661,346	35,854	(169,146)

In 2019, $10,570 (2018 – $79,337, 2017 – $nil) of realized losses on interest rate swaps were recorded within interest expense.

(ii) Foreign currency risk

The Partnership was exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty income. As at December 31, 2019, the Partnership held nine (2018 – nine, 2017 – four) foreign exchange swaps to reduce its exposure to fluctuations in royalty income due to foreign exchange fluctuations.

Information about the Partnership's foreign exchange derivatives is as follows:

	2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	**38,906,745**	**917,174**	**(489,000)**

	2018		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	61,336,807	1,406,174	(96,005)

(Expressed in U.S. dollars)

10. Financial instruments risk management (continued)

(ii) Foreign currency risk (continued)

	2017		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	538,809,069	394,962	(2,296,296)

11. Operating expenses

	2019	**2018**	**2017**
	$	**$**	**$**
Consulting	**1,118,047**	913,398	879,856
Administrative	**544,756**	404,603	339,648
Legal	**851,475**	126,048	1,786,410
Audit	**73,685**	85,037	75,435
Other operating expenses	**71,796**	272,884	281,193
Total operating expenses	**2,659,759**	1,801,970	3,362,542

12. Non-controlling interest

The Partnership owns 73.07% of Drug Royalty III LP 2. Summarized consolidated financial information prepared in accordance with IFRS for Drug Royalty III LP 2 where there is a non-controlling interest as at and for the years ended December 31, 2019, 2018 and 2017 before the elimination of intercompany transactions is as follows:

Summarized consolidated financial position:

	2019	**2018**	**2017**	**January 1, 2017**
	$	**$**	**$**	**$**
Current assets	**76,505,338**	168,097,348	101,973,050	33,743,629
Non-current assets	**209,233,297**	302,386,628	290,927,563	177,657,560
Current liabilities	**(2,035,087)**	(2,555,968)	(2,372,122)	(1,614,517)
Non-current liabilities	**(159,441,800)**	(246,830,455)	(223,587,545)	(132,051,751)
	124,261,748	221,097,553	166,940,946	77,734,921
Equity attributable to: Owners of the Partnership	**90,795,077**	161,550,676	121,979,743	56,799,041
Non-controlling interest	**33,466,671**	59,546,877	44,961,203	20,935,880
Total equity	**124,261,748**	221,097,553	166,940,946	77,734,921

Summarized consolidated statement of income and comprehensive income:

	2019	**2018**	**2017**
	$	**$**	**$**
Income	**145,080,222**	215,652,663	120,200,337
Expenses	**(105,294,126)**	(154,356,175)	(112,612,697)
Net income and comprehensive income	**39,786,096**	61,296,488	7,587,640
Attributable to:			
Owners of the Partnership	**29,070,745**	44,787,873	5,544,106
Non-controlling interest	**10,715,351**	16,508,615	2,043,534
Net income and comprehensive income	**39,786,096**	61,296,488	7,587,640

(Expressed in U.S. dollars)

13. Investment in joint ventures

The consolidated financial statements of the Partnership include investments in joint venture general partnerships recorded under the equity method and included in prepaid expenses and other assets on the consolidated statement of financial position. The joint ventures are defined below.

Entity	Joint Venture Partner	Equity Value
		$
DRC Management III LLC 1	LSRC III S.à r.l	5
DRC Management III LLC 2	LSRC III S.à r.l	5
DRC Springing III LLC	LSRC III S.à r.l	—
		10

DRC Management III LLC 1, DRC Management III LLC 2 and DRC Springing III LLC are inactive holding companies, and the Partnership holds 50% share of each entity. There is no activity or material balances to report.

14. Partners' equity and capital management

(a) Capital contributions

The initial capital commitments to the Partnership from its limited partners were $1,056,700,000. The Partnership invests in royalty investments together with LSRC III S.à r.l on a 73.07% and 26.93% ownership basis. LSRC III S.à r.l's initial capital commitments from its limited partners were $389,495,000.

On November 22, 2016, the General Partner approved the reduction in the capital commitments to the Partnership from $1,056,700,000 to $730,676,015 effective July 1, 2016. LSRC III S.à r.l similarly reduced its capital commitments from its limited partners to $269,323,985.

The unfunded capital commitments from limited partners as at December 31, 2019 are $248,031,810 (2018 – $253,853,099, 2017 – $499,228,236).

(b) Capital distributions

In accordance with the Amended and Restated Partnership Agreement dated July 18, 2013, the General Partner shall make distributions to each partner at the times and in the amounts determined by the General Partner. The General Partner has in the ordinary course of business approved distributions on a quarterly basis within 90 days after the end of each fiscal quarter.

Distributions are made to the partners pro rata in proportion to their respective capital contributions. The General Partner does not receive a distribution from the Partnership.

(c) Capital management

The Partnership's objectives for managing capital are:

- To invest the capital in royalty investments meeting the Partnership's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in a portfolio of royalty assets with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks.
- To maintain sufficient liquidity to meet the expenses of the Partnership.
- To provide investors with a steady source of residual cash flows from royalty investments.

15. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented on a consolidated basis to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the Partnership has concluded that it operates as one segment primarily focused on acquiring royalty investments.

16. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these consolidated financial statements were available for issuance. The Partnership did not identify any subsequent events that required adjustments to, or disclosures in these consolidated financial statements.

Unaudited interim condensed consolidated financial statements of

Drug Royalty III, L.P.

For the three and nine months ended September 30, 2020 and 2019

DRUG ROYALTY III, L.P.

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DRUG ROYALTY III, L.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Income				
Royalty income	**28,938,543**	29,241,492	**79,346,670**	110,753,898
Interest and other income	**1,066**	165,968	**92,622**	838,736
	28,939,609	29,407,460	**79,439,292**	111,592,634
Expenses				
Amortization of royalty investments	**11,212,842**	15,592,565	**40,543,761**	61,878,839
Reversal of impairment of royalty investments (Note 4)	**(278,427)**	—	**(1,028,942)**	—
Interest expense and finance fees (Note 6)	**1,076,393**	2,372,388	**4,173,889**	8,207,052
Servicer fees (Note 7)	**400,000**	400,000	**1,200,000**	1,200,000
Operating expenses (Note 10)	**450,676**	1,244,532	**1,227,276**	2,224,476
Net change in unrealized depreciation of interest rate swap (Note 9)	**3,490**	8,423	**5,528**	150,506
Net change in unrealized (appreciation) depreciation of foreign exchange swaps (Note 9)	**577,861**	(646,926)	**430,005**	(269,087)
Net realized gain on foreign exchange swap	**(56,162)**	(122,818)	**(342,818)**	(383,374)
	13,386,673	18,848,164	**46,208,699**	73,008,412
Net income and comprehensive income	**15,552,936**	10,559,296	**33,230,593**	38,584,222
Attributable to:				
Owners of the Partnership	**11,314,632**	7,509,699	**24,129,575**	27,845,042
Non-controlling interest (Note 11)	**4,238,304**	3,049,597	**9,101,018**	10,739,180
Net income and comprehensive income	**15,552,936**	10,559,296	**33,230,593**	38,584,222

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2020 and December 31, 2019

(Expressed in U.S. dollars)

	September 30, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents	**1,964,848**	2,404,889
Funds held in trust (Note 6)	**16,626,738**	51,247,731
Royalties receivable (Note 9)	**32,445,710**	21,373,264
Accounts receivable	**326**	55,469
Prepaid expenses and other assets (Note 12)	**147,949**	111,885
Total current assets	**51,185,571**	75,193,238
Non-current assets		
Royalty investments, at net book value (Note 4)	**168,793,383**	208,308,202
Restricted cash (Note 5)	**2,264,340**	3,755,424
Fair value of interest rate swap (Note 8)	**2,392**	7,920
Fair value of foreign exchange swap (Note 8)	**487,169**	917,174
Total non–current assets	**171,547,284**	212,988,720
Total Assets	**222,732,855**	288,181,958
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**1,414,544**	2,196,420
Secured notes payable (Note 6)	**51,476,145**	72,253,190
Total current liabilities	**52,890,689**	74,449,610
Non-current liabilities		
Secured notes payable (Note 6)	**46,019,482**	87,188,610
Total non–current liabilities	**46,019,482**	87,188,610
Total Liabilities	**98,910,171**	161,638,220
Equity		
Attributable to owners of the Partnership	**90,992,654**	93,077,067
Non-controlling interest (Note 11)	**32,830,030**	33,466,671
Total Equity	**123,822,684**	126,543,738
Total Liabilities and Equity	**222,732,855**	288,181,958

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

	Total attributable to the owners of the Partnership	Non-controlling Interest	Total
	$	$	$
Balance, January 1, 2019	**227,804,593**	**59,546,877**	**287,351,470**
Net income for the period	27,845,042	10,739,180	38,584,222
Distributions	(157,393,424)	(33,827,369)	(191,220,793)
Balance, September 30, 2019	**98,256,211**	**36,458,688**	**134,714,899**
Balance, January 1, 2020	**93,077,067**	**33,466,671**	**126,543,738**
Net income for the period	24,129,575	9,101,018	33,230,593
Distributions	(26,213,988)	(9,737,659)	(35,951,647)
Balance, September 30, 2020	**90,992,654**	**32,830,030**	**123,822,684**

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

DRUG ROYALTY III, L.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For nine months ended September 30, 2020 and 2019

(Expressed in U.S. dollars)

	September 30, 2020	September 30, 2019
	$	$
Operating activities		
Net income	**33,230,593**	38,584,222
Adjusted for following		
Amortization of royalty investments	**40,543,761**	61,878,839
Amortization of deferred finance fees	**872,825**	1,668,714
Reversal of impairment of royalty investments	**(1,028,942)**	—
Interest income	**(87,622)**	(833,736)
Interest received	**143,091**	1,031,992
Interest expense	**3,301,064**	6,552,877
Decrease in funds held in trust	**34,620,993**	40,342,355
(Increase) decrease in royalties receivable	**(11,072,446)**	56,016,993
Increase in accounts receivable	**(326)**	—
Increase in prepaid and other assets	**(36,064)**	(49,216)
Increase in accounts payable and accrued liabilities	**(75,217)**	191,114
Net change in unrealized depreciation of interest rate swaps	**5,528**	150,506
Net change in unrealized depreciation (appreciation) of foreign exchange swaps	**430,005**	(269,087)
	100,847,243	205,265,573
Financing activities		
Distributions	**(35,951,647)**	(191,220,793)
Decrease in restricted cash	**1,491,084**	803,920
Repayment of secured notes payable	**(62,818,998)**	(74,608,392)
Interest paid	**(4,007,723)**	(6,644,077)
	(101,287,284)	(271,669,342)
Net change in cash and cash equivalents	**(440,041)**	(66,403,769)
Cash and cash equivalents, beginning of the period	**2,404,889**	66,482,757
Cash and cash equivalents, end of the period	**1,964,848**	78,988

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these financial statements.

1. Nature of the Partnership

Drug Royalty III, L.P. ("Drug Royalty" or the "Partnership") is a limited partnership established by a Partnership Agreement dated November 28, 2012 for an unlimited period of time.

The Partnership owns 73.07% of Drug Royalty III LP 2 and the remaining 26.93% is owned by LSRC III S.à r.l which is a private limited liability company (Société à responsabilité limitée). The Partnership jointly controls DRC Management III LLC 1 and DRC Management III LLC 2, and DRC Springing III LLC, which are partnerships, with LSRC III S.à r.l.

The General Partner of the Partnership is Drug Royalty III GP, LLC. The Partnership's investment commencement date was July 1, 2013 (the "Investment Commencement Date").

The Partnership's principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices, and delivery technologies. The Partnership and LSRC III S.à r.l purchase royalty investments on a 73.07% and 26.93% ownership basis, which is consistent with their ownership of Drug Royalty III LP2, and they each hold their share of the royalty investment directly until securitized at which time substantially all of the Partnership's royalty investments are transferred to its subsidiary Drug Royalty III LP 2. Drug Royalty III LP 2 transfers the asset to its wholly owned subsidiary Drug Royalty III LP 1 for securitization. The assets and liabilities and results of operations of Drug Royalty III LP 1 are consolidated with Drug Royalty III LP 2.

2. Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and do not include all the disclosures required for annual financial statements and should be read in conjunction with the Partnership's annual consolidated financial statements as at December 31, 2019.

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 8), cash and cash equivalents, funds held in trust, and restricted cash that are measured at fair value at the end of each reporting period.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Partnership, and they are consolidated from the date on which control is transferred to the Partnership until the date that control ceases. Balances and transactions between the Partnership's subsidiaries have been eliminated on consolidation.

On loss of control of a subsidiary, the Partnership derecognizes the assets and liabilities of the entity, and any related non-controlling interests and equity. Any gain or loss is recognized in the consolidated statement of income and comprehensive income and any retained interests are measured at fair value at the date of loss of control. Changes in the Partnership's interest that do not result in a loss of control are accounted for as equity transactions.

When a subsidiary is not wholly-owned the Partnership recognizes the non-controlling interests' share of the net assets and results of operations in the subsidiary separately from the Partnership's interest. Profit or loss as reported in the statement of income and comprehensive income is attributed to the owners of the Partnership and to the non-controlling interests.

When the proportion of the equity held by non-controlling interests changes without resulting in a change of control, the carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. In these situations, the Partnership recognizes directly in equity the effect of the change in ownership of a subsidiary on the non-controlling interests. Similarly, after recognizing its share of the profit and loss, the non-controlling interest is adjusted for its share of the equity contribution made that does not modify the interest held by either party. The effect of these transactions is presented in the consolidated statement of changes in partners' equity.

(d) Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States dollars ("USD"), which is the Partnership's and wholly owned subsidiaries' functional currency.

(Expressed in U.S. dollars)

2. Basis of preparation (continued) (continued)

(e) Use of estimates and judgements

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of royalty income, expenses and other income during the year. Significant estimates relate to royalty income, provision for expected credit losses of royalties receivable, the timing of expected future debt repayment and fair values of interest rate swaps and foreign exchange swaps. Actual results could differ from those estimates and such differences could be material to the interim condensed consolidated financial statements.

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for 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 received is known.

The Partnership reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Partnership to use a valuation technique to determine if impairment exists. The Partnership 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

As the Partnership's equity is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the interim condensed consolidated financial statements.

3. Summary of significant accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Partnership's consolidated financial statements as at and for the year ended December 31, 2019.

4. Royalty investments

Royalty investments held by the Partnership are as follows:

	$
Cost	
At January 1, 2020	576,310,457
Additions	—
At September 30, 2020	576,310,457
Amortization and impairment	
At January 1, 2020	368,002,255
Amortization	40,543,761
Reversal of impairment	(1,028,942)
At September 30, 2020	407,517,074
Net book value	
At January 1, 2020	208,308,202
At September 30, 2020	168,793,383

During the nine months ended September 30, 2020, the Partnership recognized a reversal of previously recognized impairment of $1,028,942 related to the investment in Spinraza. The reversal was due to updates to the projected future cash flows for Spinraza based on new information on the competitive environment and as a result the discounted future cash flows for Spinraza exceeded the carrying value.

(Expressed in U.S. dollars)

4. Royalty investments (continued)

Royalty investments include the following royalty assets at net book value:

	Expected royalty expiry	September 30, 2020	December 31, 2019
		$	$
Spinraza	Q3 2031	**89,564,332**	99,179,172
Eylea I	Q1 2027	**14,504,181**	18,108,544
Eylea II	Q1 2027	**7,103,480**	8,593,445
Zytiga	Q2 2028	**26,031,874**	30,245,869
Rydapt	Q1 2025	**16,731,291**	20,715,121
Rilpivirine Portfolio[1]	Q2 2021	**13,050,989**	27,245,421
DRIT Portfolio[2]	Q1 2025	**1,807,236**	4,220,630
Total		**168,793,383**	208,308,202

(1) The investment in the Rilpivirine Portfolio consists of an agreement to receive royalties on products that include rilpiverine, including sales of Complera, Edurant, Odefsey and Juluca.

(2) The investment in Drug Royalty Investment Trust ("DRIT Portfolio") consists of an agreement to receive royalties on sales of Stelara, Simponi and Ilaris.

5. Restricted cash

Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes (Note 6), the Partnership is required to maintain certain deposits in the name of the indenture trustee (the "Trustee") for the benefit of secured parties for the payment of interest (the "Reserve Account") as well as an amount on deposit to be utilized to make any required contingent payments for royalty and/or equity assets (the "Contingency Reserve Account").

The amount deposited in the Reserve Account is equal to the greater of (i) $1 million or (ii) the product of (A) the current interest due on all Series Notes up to the current payment date, and (B) a fraction, the numerator of which is 180 and the denominator of which is the actual number of days in the related collection period.

The amount deposited in the Contingency Reserve Account will be the sum of contingent payments reasonably expected to become due on royalty asset obligation.

Restricted cash includes cash and cash equivalents, which represent short–term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, and are carried at fair value.

6. Secured notes payable

	September 30, 2020	December 31, 2019
	$	$
Series 2016 – 1 Notes (a) Bearing interest at 3.979% with a stated final maturity of April 15, 2027	—	20,327,743
Series 2017 – 1 Class A – 1 (a)(b) Bearing interest at three month LIBOR + 2.50% with a stated final maturity of April 15, 2027	**16,073,566**	32,620,477
Series 2017 – 1 Class A – 2 (a) Bearing interest at 3.60% with a stated final maturity of April 15, 2027	**16,073,566**	32,620,477
Series 2018 – 1 Class A – 1 (a)(c) Bearing interest at three month LIBOR + 1.60% with a stated final maturity of October 15, 2031	**30,713,793**	34,720,358
Series 2018 – 1 Class A – 2 (a) Bearing interest at 4.27% with a stated final maturity of October 15, 2031	**34,634,702**	39,152,745
	97,495,627	159,441,800
Less Current portion	**51,476,145**	72,253,190
	46,019,482	87,188,610

During 2018, the Partnership issued $47,000,000 in Series 2018 – 1 Class A – 1 secured notes and $53,000,000 Series 2018 – 1 Class A – 2 secured notes and incurred financing costs of $2,205,902. During 2017, the Partnership issued $75,000,000 in Series 2017 – 1 Class A – 1 secured notes and $75,000,000 in Series 2017 – 1 Class A – 2 secured notes and incurred financing costs of $3,740,465. The financing costs are deferred finance fees deducted from the carrying value of the secured notes payable and are amortized using the effective interest method.

(a) Pursuant to the terms of the Series 2016 – 1, 2017 – 1, and 2018 – 1 Indenture Agreements, principal payments on the secured notes are made quarterly following a prescribed formula and in the stated order of priority, after the deduction of allowable expenses including

(Expressed in U.S. dollars)

6. Secured notes payable (continued)

interest, from the cash received from the royalty interest portfolio held by the Partnership. The terms of the notes require accelerated payments in certain events and also allow for voluntary prepayments under certain circumstances.

The Series 2016 – 1, Series 2017 – 1 Class A – 1 and Class A – 2 and Series 2018 – 1 Class A – 1 and Class A – 2 Notes are secured by the assets of the Partnership.

(b) With the issuance of the 2017 – 1 Class A – 1 Note, the Partnership purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2017 – 1 Class A – 1 Note at 3.00%.

(c) With the issuance of the 2018 – 1 Class A – 1 Note, the Partnership purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2018 – 1 Class A – 1 Note at 3.25%.

(d) The repayment schedule below is based on the most likely repayment schedule for the notes based on the timing and amount of expected future royalty revenues to be received. Actual repayments may vary depending on the timing and amount of actual receipts and the resulting impact on the payment provisions as provided for in the Indenture Agreement. As of September 30, 2020, the expected principal repayment schedule for the outstanding series secured notes is as follows:

	Series 2018 – 1 Class A – 1	Series 2018 – 1 Class A – 2	Series 2017 – 1 Class A – 1	Series 2017 – 1 Class A – 2	Total
2020	2,669,176	3,009,923	2,387,182	2,387,182	10,453,463
2021	8,300,435	9,360,065	13,760,165	13,760,165	45,180,830
2022	9,347,478	10,540,773	—	—	19,888,251
2023	7,359,660	8,299,191	—	—	15,658,851
2024	3,467,519	3,910,181	—	—	7,377,700
	$31,144,268	$35,120,133	$16,147,347	$16,147,347	$ 98,559,095

(e) Pursuant to the terms of the Indenture Agreement in connection with the issuance of secured notes payable, the Partnership is required to maintain a trust account in the name of the indenture trustee (the "Trustee") into which royalty payments received, advances and other collections must be deposited. On a quarterly basis, the Trustee distributes the amounts collected to various parties as fees for services or, in the case of secured note holders, for the payment of interest and principal. The prioritization and amount of such payments is determined pursuant to the terms of the Indenture Agreement.

Funds held in trust include cash and cash equivalents which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value.

7. Related party transactions

DRI Capital Inc. ("DRI") serves as the Investment Manager for the Partnership and provides administrative services to the Partnership to service the debt of the Partnership. Amounts payable to DRI for servicer fees are based on amounts as agreed to between DRI and the Partnership pursuant to the Servicer Agreement and are recorded at the exchange amounts.

Transactions and balances with DRI not disclosed elsewhere in these interim condensed consolidated financial statements are as follows:

(a) During the three and nine month periods ended September 30, 2020, the Partnership was charged servicer fees by DRI in the amount of $400,000 and $1,200,000 (2019 – $400,000 and $1,200,000), respectively.

(b) Included in accounts payable at September 30, 2020 is $516,514 (December 31, 2019 – $544,177) payable to DRI for reimbursement of third party costs incurred.

8. Fair value

Financial instruments include cash and cash equivalents, funds held in trust, restricted cash, royalties receivable, accounts receivable, accounts payable and accrued liabilities, foreign exchange swaps, and interest rate swaps. Cash and cash equivalents, funds held in trust, restricted cash, foreign exchange swaps, and interest rate swaps are carried at fair value. The carrying value of royalties receivable, accounts payable and accrued liabilities represents fair value due to the immediate or short-term duration of these items.

(Expressed in U.S. dollars)

8. Fair value (continued)

The following table illustrates the fair value hierarchy of assets and liabilities and the level at which each are measured.

	September 30, 2020		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	**—**	**2,392**	**—**
Foreign exchange swap	**—**	**487,169**	**—**

	December 31, 2019		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Interest rate swap	—	7,920	—
Foreign exchange swap	—	917,174	—

There were no transfers between Levels during the period.

9. Financial instruments risk management

The Partnership is exposed to the following risks related to its financial instruments:

(i) Credit risk

Credit risk arises from the possibility that the Partnership's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The Partnership's accounts receivable are concentrated in the pharmaceutical and health sciences industry. The Partnership monitors its exposure to its counterparties on a regular basis. As of September 30, 2020, royalties receivable representing greater than 10% of the balance receivable included $30,223,453 (December 31, 2019 – $19,600,451) related to royalties receivable from three (December 31, 2019 – three) counterparties.

For the three month period ended September 30, 2020, royalty income greater than 10% of total royalty income included $25,868,483 (2019 – $25,789,936), related to royalty income from four (2019 – four) counterparties.

For the nine month period ended September 30, 2020, royalty income greater than 10% of total royalty income included $66,826,799 (2019 – $95,516,172), related to royalty income from four (2019 – five) counterparties.

(ii) Interest rate risk

The Partnership was exposed to changes in interest rates on its Series 2017-1 Class A-1 and Series 2018-1 Class A-1 secured notes payable. The Partnership entered into two (December 31, 2019 – two) interest rate swap transactions to reduce its exposure to fluctuations in interest rates (Note 6).

Information about the Partnership's interest rate derivatives is as follows:

	Nine months ended September 30, 2020		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	**289,797,796**	**2,392**	**(5,528)**

	Year ended December 31, 2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Interest rate swap	481,936,829	7,920	(152,517)

At September 30, 2020, $nil (December 31, 2019 – $10,570) of realized losses on interest rate swaps were recorded within interest expense.

(Expressed in U.S. dollars)

9. Financial instruments risk management (continued)

(iii) Foreign currency risk

The Partnership was exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty revenue.

Information about the Partnership's foreign exchange derivatives is as follows:

	Nine months ended September 30, 2020		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	**26,024,433**	**487,169**	**(430,005)**

	Year ended December 31, 2019		
	Notional value	**Fair value**	**Change in fair value**
	$	**$**	**$**
Foreign exchange swap	38,906,745	917,174	(489,000)

10. Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Consulting	**321,803**	698,851	**695,023**	1,016,147
Administrative	**67,966**	85,646	**528,901**	476,114
Legal	**31,905**	470,688	**(84,376)**	623,018
Audit	**16,249**	13,000	**48,124**	55,185
Other operating expenses	**12,753**	(23,653)	**39,604**	54,012
Total operating expenses	**450,676**	1,244,532	**1,227,276**	2,224,476

(Expressed in U.S. dollars)

11. Non-controlling interest

The Partnership owns 73.07% of Drug Royalty III LP 2. Summarized consolidated financial information for Drug Royalty III LP 2 where there is a non-controlling interest as at and for the three and nine months ended September 30, 2020, and 2019 before the elimination of intercompany transactions is as follows:

Summarized consolidated financial position:

	September 30, 2020	December 31, 2019
	$	$
Current assets	**51,462,837**	76,505,338
Non-current assets	**169,282,944**	209,233,297
Current liabilities	**(1,352,253)**	(2,035,087)
Non-current liabilities	**(97,495,627)**	(159,441,800)
	121,897,901	124,261,748
Equity attributable to:		
Owners of the Partnership	**89,067,871**	90,795,077
Non-controlling interest	**32,830,030**	33,466,671
Total equity	**121,897,901**	124,261,748

Summarized consolidated statement of income and comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Income	**28,939,386**	29,352,619	**79,397,343**	111,418,825
Expenses	**(13,202,564)**	(18,029,465)	**(45,605,265)**	(71,544,251)
Net income and comprehensive income	**15,736,822**	11,323,154	**33,792,078**	39,874,574
Attributable to:				
Owners of the Partnership	**11,498,518**	8,273,557	**24,691,060**	29,135,394
Non-controlling interest	**4,238,304**	3,049,597	**9,101,018**	10,739,180
Net income and comprehensive income	**15,736,822**	11,323,154	**33,792,078**	39,874,574

12. Investment in joint ventures

The interim condensed consolidated financial statements of the Partnership include investments in joint venture general partnerships recorded under the equity method and included in prepaid expenses and other assets on the consolidated statement of financial position. The joint ventures are defined below.

Entity	Joint Venture Partner	Equity Value
		$
DRC Management III LLC 1	LSRC III S.à r.l	**5**
DRC Management III LLC 2	LSRC III S.à r.l	**5**
DRC Springing III LLC	LSRC III S.à r.l	**—**
		10

DRC Management III LLC 1, DRC Management III LLC 2 and DRC Springing III LLC are inactive holding companies, and the Partnership holds 50% share of each entity. There is no activity or material balances to report.

13. Partners' equity and capital management

(a) Capital contributions

The initial capital commitments to the Partnership from its limited partners were $1,056,700,000. The Partnership invests in royalty investments together with LSRC III S.à r.l on a 73.07% and 26.93% ownership basis. LSRC III S.à r.l's initial capital commitments from its limited partners were $389,495,000.

On November 22, 2016, the General Partner approved the reduction in the capital commitments to the Partnership from $1,056,700,000 to $730,676,015 effective July 1, 2016. LSRC III S.à r.l similarly reduced its capital commitments from its limited partners to $269,323,985.

The unfunded capital commitments from limited partners as at September 30, 2020, are $247,778,161 (December 31, 2019 – $248,031,810).

(b) Capital distributions

In accordance with the Amended and Restated Partnership Agreement dated July 18, 2013, the General Partner shall make distributions to each partner at the times and in the amounts determined by the General Partner. The General Partner has in the ordinary course of business approved distributions on a quarterly basis within 90 days after the end of each fiscal quarter.

Distributions are made to the partners pro rata in proportion to their respective capital contributions.

(c) Capital Management

The Partnership's objectives for managing capital are:

- To invest the capital in royalty investments meeting the Partnership's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in a portfolio of royalty assets with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks.
- To maintain sufficient liquidity to meet the expenses of the Partnership.
- To provide investors with a steady source of residual cash flows from royalty investments.

14. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented on a consolidated basis to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the Partnership has concluded that it operates as one segment primarily focused on acquiring royalty investments.

15. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these interim condensed consolidated financial statements were available for issuance. The Partnership did not identify any subsequent events that required adjustments to, or disclosures in these financial statements.

DRUG ROYALTY III, L.P.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of Drug Royalty III, L.P. ("**DR III LP**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements of DR III LP for the years ended December 31, 2019, 2018 and 2017, the unaudited interim condensed consolidated financial statements of DR III LP for the three and nine month periods ended September 30, 2020 and 2019 and the accompanying notes to such financial statements, in each case included elsewhere in this prospectus. The audited consolidated financial statements of DR III LP have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The unaudited interim condensed consolidated financial statements of DR III LP have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"), of the International Accounting Standards Board ("**IASB**").

DRI Healthcare Trust was established as an unincorporated open-ended trust on October 21, 2020. It has a limited history and has carried on limited activities. Going forward, DRI Healthcare Trust will be the parent entity and sole direct and indirect owner of DR III LP.

All amounts in this MD&A are expressed in U.S. dollars, except where otherwise indicated. In this MD&A only, all references to the "**Company**", "**we**", "**us**" or "**our**" refer to DR III LP, together with its subsidiaries, on a consolidated basis.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. This discussion may contain forward-looking information that involves risks and uncertainties. Such forward-looking information is based upon current expectations. The actual results of DR III LP may differ materially from those anticipated in such forward-looking information as a result of various factors, including those set forth under "Risk Factors" or in other parts of this prospectus. See "Forward-Looking Information".

Business Overview

DR III LP is a limited partnership established by a Partnership Agreement dated November 28, 2012. DR III LP owns 73.07% of Drug Royalty III LP 2 and the remaining 26.93% is owned by LSRC III S.à r.l, which is a private limited liability company (Société à responsabilité limitée).

DR III LP jointly controls, with LSRC III S.à r.l., DRC Management III LLC 1 and DRC Management III LLC 2, which are limited liability companies. Drug Royalty III GP, LLC is the general partner of DR III LP. DR III LP's investment commencement date was July 1, 2013, and it acquired its first portfolio of royalty assets in February 2014. DRI Capital Inc. ("**DRI Capital**"), a corporation governed by the *Canada Business Corporations Act*, is the manager for DR III LP under an agreement with DR III LP.

DR III LP and LSRC III S.à r.l purchase royalty assets on a 73.07% and 26.93% ownership basis, consistent with their ownership interests in Drug Royalty III LP 2, and they each hold their share of the royalty assets directly until securitized, at which time substantially all of their royalty assets are transferred to Drug Royalty III LP 2. Drug Royalty III LP 2 then transfers the royalty assets to its wholly-owned subsidiary Drug Royalty III LP 1 for securitization. The asset and liabilities and results of operations of Drug Royalty III LP 1 are consolidated with Drug Royalty III LP 2.

Our principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices, and delivery technologies in order to participate in the royalties generated by these assets. We acquire, directly or indirectly, the rights to royalty assets from inventors, universities, research institutions and hospitals, biotechnology and pharmaceutical companies, other entities operating in the life sciences industry and entities selling royalties in the secondary market.

We deployed $586 million, from 2013 to 2018, to acquire 15 royalty streams. We use cash royalty receipts to fund investor distributions and to pay for fees and expenses, minimizing the cash outlay from our investors. We also issued investment grade debt as a source of debt capital.

We classify our portfolio of royalty investments based on the expected expiry of the royalty in the underlying product's primary royalty-bearing geography. Our portfolio includes 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 Legacy Products, for which royalty entitlements expired or otherwise ceased to be paid prior to September 30, 2020.

We currently own the rights to receive certain royalties related to worldwide sales of Spinraza, Eylea (Eylea I and Eylea II), Zytiga (excluding U.S. sales), Rydapt, our Rilpivirine Portfolio (Complera, Edurant, Juluca, and Odefsey) and our DRIT Portfolio (Ilaris, Simponi and Stelara).

Core Products

- **Spinraza** (nusinersen) is a survival motor neuron-2-directed antisense oligonucleotide treatment for spinal muscular atrophy. Spinraza is marketed worldwide by Biogen. Our royalty entitlement represents a low-single digit percentage payable on worldwide sales of Spinraza. Our entitlement is subject to step-downs if royalties exceed a specified annual threshold which has not been exceeded to date and is expected to expire in the third quarter of 2030 in the United States and in the third quarter of 2031 outside of the United States. Royalties are collected on a one-quarter lag basis.
- **Eylea** (aflibercept) is a vascular endothelial growth factor inhibitor initially indicated for the treatment of neovascular wet age-related macular degeneration. Eylea was approved in 2011 and the DRI Capital Funds acquired two separate royalties on its worldwide sales, which we refer to as Eylea I and Eylea II. Subsequent to the acquisition of Eylea I, Eylea was approved for the treatment of macular edema following retinal vein occlusion and diabetic macular edema in 2014. Eylea was also approved for the treatment of diabetic retinopathy in 2015, subsequent to our acquisition of Eylea II. Eylea is marketed globally by Bayer, Regeneron and Santen. Our royalty entitlements are each below one-quarter percent payable on the worldwide sales and the royalty rates are expected to effectively step down by 60% for royalties in the first quarter of 2022 for Eylea I and by 80% for royalties in the third quarter of 2023 for Eylea II. Royalties are collected on a one-quarter lag basis and are expected to expire in the first quarter of 2027.
- **Zytiga** (abiraterone acetate) is a CYP17 inhibitor initially indicated for the treatment of adult men with metastatic castration-resistant prostate cancer. Zytiga was approved in 2011 and the DRI Capital Funds acquired a royalty on its worldwide sales (excluding the United States) in 2016. Subsequent to our acquisition, the drug was approved to treat newly diagnosed high risk metastatic hormone sensitive prostate cancer in 2017. Zytiga is marketed globally by Johnson & Johnson and is co-promoted by AstraZeneca in Japan. Our royalty entitlement is a sub-single digit percentage payable on sales of Zytiga outside of the United States. The royalty rate steps down by 50% based on the entry of a generic equivalent on a country-by-country basis. We expect entry of a generic equivalent will occur on sales in the rest of the world beginning in 2021 and in the European Union in the third quarter of 2022 and in Japan in the fourth quarter of 2023. We expect our entitlement to expire outside of Japan in the second quarter of 2026 and in Japan in the second quarter of 2028. Royalties are paid semi-annually. For sales made in the second and third quarters of a year, royalties are paid in the second quarter of the following year. For sales made in the fourth quarter and first quarter of the following year, are paid in the fourth quarter of that following year.
- **Rydapt** (midostaurin) is a kinase inhibitor indicated for the treatment of patients with newly diagnosed advanced myeloid leukemia under certain mutations, aggressive systemic mastocytosis, systemic mastocytosis with associated hematological neoplasm and mast cell leukemia. Rydapt is marketed worldwide by Novartis. Our royalty entitlement is a low-single digit percentage payable on worldwide sales of Rydapt. Royalties are expected to expire on sales outside of the United States in the first quarter of 2023 and in the United States in the first quarter of 2025. Royalties are collected on a one-quarter lag basis.

Mature Products

The **Rilpivirine Portfolio** is our portfolio of royalties based on rilpivirine, a molecule used as a treatment for HIV. Rilpivirine is sold on its own under the brand name Edurant and also as a formulation with other medications sold under the brand names Complera, Juluca and Odefsey. Our royalty entitlements are payable on worldwide sales of the Rilpivirine Portfolio and are expected to expire in the second quarter of 2021.

- **Complera** is indicated for use as a complete regimen for the treatment of HIV in treatment-naive adults or to replace a stable antiretroviral regimen in those who are virologically-suppressed. Complera is a three-drug combination, which includes rilpivirine. Complera is marketed worldwide by Gilead. Johnson & Johnson has the right to distribute Complera in several countries including Mexico, Russia and Japan.
- **Edurant (rilpivirine)** is a non-nucleoside reverse transcriptase inhibitor indicated in combination with other antiretroviral agents for the treatment of HIV in treatment-naive adults. Edurant is marketed worldwide by Johnson & Johnson.
- **Juluca** is indicated as a complete regimen for the treatment of HIV in adults to replace the current antiretroviral regimen in those who are virologically-suppressed on a stable antiretroviral regimen. Juluca is a two-drug combination, which includes rilpivirine. Juluca is marketed worldwide by ViiV Healthcare (owned by GlaxoSmithKline, Pfizer and Shionogi Limited).
- **Odefsey** is indicated for use as a complete regimen for the treatment of HIV in treatment-naive adults or to replace a stable antiretroviral regimen in those who are virologically-suppressed. Similar to Complera, Odefsey is a three-drug combination, which includes rilpivirine. Odefsey is marketed worldwide by Gilead. Johnson & Johnson has the right to distribute Odefsey in several countries including Mexico, Russia and Japan.

The **DRIT Portfolio** is our portfolio of royalties on the worldwide sales of Ilaris, Simponi, and Stelara. Our royalty entitlements are expected to expire in the first quarter of 2025.

- **Ilaris (canakinumab)** is an interleukin-1β blocker that was initially indicated Cryopyrin-Associated Periodic Syndromes. Subsequent to our acquisition of the royalties in 2012, Ilaris was approved for new indications including Systemic Juvenile Idiopathic Arthritis in 2013, Tumor Necrosis Factor Receptor Associated Periodic Syndrome, Hyperimmunoglobulin D Syndrome / Mevalonate Kinase Deficiency and Familial Mediterranean Fever in 2016 and active Still's disease in 2020. Our royalty entitlements are payable on the worldwide sales of Ilaris, are payable on a one-quarter lag basis and are expected to expire in the first quarter of 2025.
- **Simponi (golimumab)** is a tumor necrosis factor blocker that is indicated for the treatment of adult patients with moderate to severe active rheumatoid arthritis, psoriatic arthritis and ankylosing spondylitis and ulcerative colitis. Simponi is marketed in the United States by Johnson & Johnson, co-marketed in Europe by Merck and is co-promoted in Japan by Mitsubishi Tanabe. Our royalty entitlements are payable on the worldwide sales of Simponi, are payable on a one-quarter lag basis and are expected to expire in the first quarter of 2025.
- **Stelara (ustekinumab)** is a human interleukin-12 and -23 antagonist that was initially indicated for the treatment of adult patients with moderate to severe plaque psoriasis in 2009. Subsequent to DR III LP's acquisition of the royalties in 2012, Stelara has received approvals for several new indications including psoriatic arthritis in 2013, moderately to severely active Crohn's disease in 2016, moderately to severely active ulcerative colitis in 2019 and for pediatric patients with moderate to severe plaque psoriasis in 2020. Stelara is marketed worldwide by Johnson & Johnson and is co-promoted in Japan by Mitsubishi Tanabe. Our royalty entitlements are payable on the worldwide sales of Stelara, are payable on a one-quarter lag basis and are expected to expire in the second quarter of 2024.

We held royalty investments in products that expired prior to September 30, 2020 related to the worldwide sales of Keytruda (expired in 2019) and Ampyra (expired in 2018). Keytruda is a programmed death receptor-1 blocking antibody indicated for the treatment of melanoma, non-small cell lung cancer and a number of additional malignancies. Keytruda is marketed worldwide by Merck. In 2019, we received the final royalty payment for the Keytruda entitlement which was structured such that, once Drug Royalty III received a fixed amount of royalties, future royalties would cease. Ampyra is used to improve the walking ability in patients with multiple sclerosis and is marketed in the United States by Acorda Therapeutics and outside the United States by Biogen. We ceased receiving Ampyra royalties at the end of the fourth quarter of 2018. See "Key developments relating to our portfolio from 2017-2020" which indicate the quarter in which these royalties expired.

Factors Impacting Our Performance

Our performance and future success depend on a number of key factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of this prospectus.

Royalty acquisitions. DR III LP's investment period ended in 2018, and acquisitions of royalties were made in 2018 and prior years. During those years, our ability to source and acquire new royalties was an important factor that enabled us to successfully deploy capital. When we acquired royalties, we increased our royalty revenue and Total Cash Royalty Receipts.

Performance of the products underlying our royalties. 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, such as regulatory approvals that permit the sale of a product in the relevant market, whether a 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. Some of these factors are discussed below under "Key developments relating to our portfolio from 2017-2020".

The terms and conditions of our royalties. Our royalty agreements set out the terms and conditions on which we are paid royalties. Royalties are typically finite life assets that expire based on either patent expiry dates (including patent extensions) or on structural elements, such as caps that limit the amount of royalties that can be collected after product sales or royalty receipts reach a pre-determined level. Royalty acquisition structures can be tailored to the requirements of the royalty vendor and to provide the purchaser various protections. These structures can include payments to vendors at specified product sales thresholds or upon certain product events, such as the approval of the product for a new indication or other key attribute or launch of the product in a new geography. When our royalties on a product expire, we will no longer receive royalty payments from sales of the product.

Cost structure. We strive to operate as efficiently as possible to minimize costs that reduce our ability to reinvest cash generated by our royalties and our ability to make distributions. In addition to our operating expenses, we pay management fees to our manager, servicer fees related to the servicing of our senior secured notes as well as interest and finance fees reflecting amortized deferred financing charges and interest paid on our senior secured notes.

Key developments relating to our portfolio from 2017-2020

The key developments impacting our royalty cash receipts and royalty income are discussed below:

- **Spinraza:** There is currently an active study, DEVOTE, which is a Phase II / III study designed to evaluate the safety, tolerability and potential for greater efficacy of Spinraza at a higher dose than currently approved for the treatment of spinal muscular atrophy. According to Biogen, the primary completion date for this study is expected in September 2022.
- **Eylea:** There have been no major indication approvals since 2015. A prefilled syringe formulation of Eylea was approved by the FDA in 2019 and by EMA in 2020. A high-dose Eylea is currently in Phase III trials for neovascular wet age-related macular degeneration and diabetic macular edema to decrease the dosing interval of Eylea, thus improving the value proposition of the drug. Regeneron has listed 2022 as the potential year of regulatory submission. In addition, a Phase III trial is currently underway for treatment of retinopathy of prematurity; however, there is no available information on a likely approval date.
- **Zytiga:** Zytiga was approved in 2017 to treat newly diagnosed high risk metastatic hormone sensitive prostate cancer.
- **Rydapt:** There have been no major approvals since 2017 prior to our acquisition of Rydapt.
- **Rilpivirine Portfolio:** Juluca received FDA approval for the treatment of HIV in 2017.
- **DRIT Portfolio:**
    - Ilaris was approved for the treatment of active Still's disease in 2020. Ilaris is currently in Phase III trials for the treatment of non-small cell lung cancer. The readouts and filings from this trial are

expected in 2021. In addition, Ilaris is currently in Phase III trials for the treatment to prevent cytokine release syndrome in COVID-19 patients with pneumonia. The expected completion of the trial is the fourth quarter of 2020.

- Simponi was approved for the treatment of active polyarticular juvenile idiopathic arthritis in 2020
- Stelara was approved for the treatment of severely active Crohn's disease in 2016, moderately to severely active ulcerative colitis in 2019 and for pediatric patients with moderate to severe plaque psoriasis in 2020.
- In 2019, our entitlement to royalties expired in certain geographies for Ilaris, Simponi and Stelara.

- **Ampyra:** In 2017, a U.S. District Court's decision invalidated four of Ampyra's five patents, leaving one patent which expired in the fourth quarter of 2018. In 2018, Ampyra's appeal of the 2017 U.S. District Court decision was denied.
- **Keytruda:** The Keytruda investment was structured to terminate upon the receipt of a fixed amount of cumulative royalties by DR III LP. Keytruda sales accelerated quicker than we expected at the time of acquisition and we reached our royalty cap earlier than expected with the final payment being received in the fourth quarter of 2019.

Understanding Our Financial Reporting

DR III LP's financial reporting is in accordance with IFRS. DR III LP adopted IFRS effective January 1, 2017. The consolidated financial statements included in this prospectus are the first financial statements DR III LP has reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS*, has been applied.

In accordance with IFRS, the royalty investments DR III LP acquires are classified as intangible assets on the consolidated statement of financial position. Royalty investments are held at cost, which initially is the fair value of the consideration paid, and are amortized over their useful lives and shown net of any impairment. The royalty investments are tested for impairment at each reporting period or when an indicator of impairment is identified by management.

The preparation of our financial statements in this manner requires the use of estimates, judgments and assumptions that affect both our reported assets and liabilities and our income and expenses. A key area of judgment and estimates applied by management is associated with the measurement of income derived from our royalty investments classified as intangible assets, including management's judgment in forecasting the expected future cash flows of the underlying royalties and the expected duration of the royalty investments. In any given reporting period, when an indicator of impairment is identified by management, this may result in the identification that the expected future cash flows associated with a royalty investment are below the carrying value of the royalty investment and result in the recognition of an impairment of royalty investments which appears as an expense in our income statement. Similarly, in subsequent periods, an assessment of previously recognized impairment losses may determine that an increase in the expected future cash flows associated with a royalty investment should result in the recognition of a reversal of impairment of royalty investments. Therefore, management cautions investors against looking to royalty income and the associated impairment or reversal of impairment of royalty investments as a measure of our near-term financial performance or as a source for predicting future income or growth trends.

Our operations have historically been financed primarily with cash flows generated by our royalties. Royalty income is recorded on an accrual basis when earned by DR III LP in accordance with our contractual rights, rather than when actual cash payments in respect of our royalties are received. The lag between when we record royalty income and when we receive the corresponding cash payments is typically three months but may in some cases be several financial quarters. Given the importance of cash flows to our business, we use "cash royalty receipts" as a key measure of our operating performance. Cash royalty receipts refers to the cash received during a period pursuant to the terms and conditions of a particular royalty asset. We refer to cash royalty receipts on a product-by-product basis. DR III LP also reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA. We believe these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of DR III LP. We also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance. These measures do not have any standardized definitions prescribed under IFRS and are, therefore, not comparable to similar measures presented by other reporting issuers.

We use Total Cash Royalty Receipts to refer 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 when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of DR III LP and the performance of its business.

See the "Non-IFRS Financial Results" section of this MD&A for definitions and reconciliations of these non-IFRS measures to the nearest comparable IFRS measures.

Understanding Our Results of Operations

Immediately following this offering, DRI Healthcare Trust will be a holding entity that will directly and indirectly own DR III LP, which will be included in the consolidated financial statements of DRI Healthcare Trust. The major categories of information presented in the historical consolidated statement of income and comprehensive income of DR III LP are discussed below.

Royalty income

Royalty income is comprised of income from our royalty investments, which represent the contractual right to receive, directly or indirectly, a royalty payment, license fee, or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. DR III LP 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 by DR III LP in accordance with our contractual rights. Management is required to make estimates of royalty income earned based on estimates for financial reporting purposes which are updated once royalty receipts are reported and paid by our counterparties, typically one or more quarters after they are earned.

Interest and other income

Interest and other income consists of interest earned on funds held in trust and restricted cash. Restricted cash represents an amount that must be maintained per the secured note indenture agreement and is the greater of $1 million or two quarters of interest expense on the secured notes. Funds held in trust and restricted cash include cash and cash equivalents which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value. Other income relates primarily to distributions from joint ventures.

Amortization and impairment of royalty investments

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized over the useful life of the asset. This amortization is shown in the statement of income and comprehensive income as 'Amortization of royalty investments'.

Royalty investments are also tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. A previously recognized impairment loss is also assessed at each reporting date for any indicators that the loss has decreased or no longer exists. The impairment loss or reversal is shown in the statement of income and comprehensive income as '(Reversal of) Impairment of royalty investments'.

Interest expense and finance fees

Interest expense and finance fees reflects amortized deferred financing charges and interest paid on our Series 2016-1, Series 2017 – 1 Class A – 1 and Class A – 2, and 2018 – 1 Class A – 1 and Class A – 2 secured notes (the "**secured notes**").

To reduce exposure to changes in interest rates on the floating rate secured notes, DR III LP entered into interest rate swap transactions. The notes and payments under the interest rate swap were secured by the assets of Drug Royalty III LP 1. Any realized gains or losses on interest rate swaps were recorded within interest expense.

Servicer fees

DRI Capital provides administrative services to DR III LP to assist it in servicing the secured notes. Servicer fees represent the amounts payable to DRI Capital based on amounts as agreed to between DRI Capital and DR III LP pursuant to a servicing agreement. DRI Capital is paid servicer fees of $400,000 per quarter or $1,600,000 per annum.

Management fees

DRI Capital serves as the manager for DR III LP. Management fees are payable by DR III LP pursuant to a management agreement and consist of management and performance fees. Management fees from the investment commencement date, as per the Partnership Agreement, until the termination of the commitment period, were determined based on 1.5% per annum of capital committed. Management fees were to be payable after the termination of the commitment period; however, on November 22, 2016, DRI Capital agreed to waive these management fees. Performance fees, subject to limitations, are based on achieving a defined preferred return hurdle.

Operating expenses

Operating expenses include consulting, legal, audit, administrative, and other operating expenses required to operate our business.

Unrealized/realized gains and losses on interest rate swap and foreign exchange swaps

DR III LP uses interest rate swaps and foreign exchange swaps to manage its interest rate risk and foreign exchange risk. These derivative financial instruments are carried at fair value. Unrealized changes in the fair value of the interest rate swap and foreign exchange swap are presented in the consolidated statement of income and comprehensive income as 'Net change in unrealized appreciation of interest rate swap' and 'Net change in unrealized appreciation (depreciation) of foreign exchange swaps', respectively. Any realized fair value changes on the interest rate swaps are recorded within interest expense, while any realized fair value changes on the foreign exchange swaps are shown as 'Net realized (gain) loss on foreign exchange swap'.

Results of Operations

The comparison of our historical results of operations for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Income							
Royalty income	$28,938,543	$29,241,492	$79,346,670	$110,753,898	$144,300,491	$219,768,326	$132,891,942
Interest and other income	1,066	165,968	92,622	838,736	969,129	669,921	144,666
	28,939,609	**29,407,460**	**79,439,292**	**111,592,634**	**145,269,620**	**220,438,247**	**133,036,608**
Expenses:							
Amortization of royalty investments	11,212,842	15,592,565	40,543,761	61,878,839	82,631,024	143,045,271	94,639,290
(Reversal of) impairment of royalty investments	(278,427)	—	(1,028,942)	—	9,880,791	—	3,246,178
Interest expense and finance fees	1,076,393	2,372,388	4,173,889	8,207,052	10,285,629	10,425,179	10,394,896
Servicer fees	400,000	400,000	1,200,000	1,200,000	1,600,000	1,600,000	1,600,000
Management fees	—	—	—	—	—	5,480,070	10,960,140
Operating expenses	450,676	1,244,532	1,227,276	2,224,476	2,659,759	1,801,970	3,362,542
Net change in unrealized depreciation of interest rate swap	3,490	8,423	5,528	150,506	152,517	285,417	169,146
Net change in unrealized depreciation (appreciation) of foreign exchange swaps	577,861	(646,926)	430,005	(269,087)	489,000	96,005	2,296,296
Net realized (gain) loss on foreign exchange swaps	(56,162)	(122,818)	(342,818)	(383,374)	(633,056)	(294,299)	71,558
	13,386,673	**18,848,164**	**46,208,699**	**73,008,412**	**107,065,664**	**162,439,613**	**126,740,046**
Net income and comprehensive income	**$15,552,936**	**$10,559,296**	**$33,230,593**	**$ 38,584,222**	**$ 38,203,956**	**$ 57,998,634**	**$ 6,296,562**
Attributable to:							
Owners of the Partnership	11,314,632	7,509,699	24,129,575	27,845,042	27,488,605	41,490,019	4,253,028
Non-controlling interest	4,238,304	3,049,597	9,101,018	10,739,180	10,715,351	16,508,615	2,043,534
Net income and comprehensive income	**$15,552,936**	**$10,559,296**	**$33,230,593**	**$ 38,584,222**	**$ 38,203,956**	**$ 57,998,634**	**$ 6,296,562**

Royalty income

Royalty income by product for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 is as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Core Products							
Spinraza	$ 5,085,760	$ 4,589,463	$15,632,780	$ 16,020,378	$ 21,920,391	$ 8,051,444	$ —
Eylea I	3,487,925	2,570,663	8,473,464	7,603,930	10,321,109	9,700,577	8,429,631
Eylea II	1,550,188	1,142,518	3,765,698	3,372,860	4,580,494	4,265,046	3,701,217
Zytiga	7,565,445	2,742,945	15,069,186	14,755,800	18,338,976	14,780,129	10,609,860
Rydapt	1,420,661	708,611	6,646,410	4,260,936	6,620,782	2,942,655	—
	19,109,979	11,754,200	49,587,538	46,013,904	61,781,752	39,739,851	22,740,708
Mature Products							
Rilpivirine Portfolio	8,179,164	7,256,052	23,885,670	21,858,147	30,065,557	28,400,058	17,730,677
DRIT Portfolio	1,649,400	10,231,240	5,873,462	29,038,232	38,609,567	35,478,285	27,550,045
	9,828,564	17,487,292	29,759,132	50,896,379	68,675,124	63,878,343	45,280,722
Legacy Products							
Ampyra	—	—	—	—	—	6,694,851	11,789,832
Keytruda	—	—	—	13,843,615	13,843,615	109,455,281	53,080,680
	—	—	—	13,843,615	13,843,615	116,150,132	64,870,512
Total royalty income	**$28,938,543**	**$29,241,492**	**$79,346,670**	**$110,753,898**	**$144,300,491**	**$219,768,326**	**$132,891,942**

Three and nine months ended September 30, 2020 and 2019

Royalty income declined by $302,949, or 1.0%, in the three months ended September 30, 2020 compared to the prior year period primarily due to the decline in royalties from the DRIT Portfolio as royalties for certain geographies expired in 2019. However, this was offset by increased royalty income for Zytiga due to stronger sales outside the United States, the European Union and Japan, and increased royalty income for Spinraza, Eylea I, Eylea II, Rydapt and the Rilpivirine Portfolio.

Royalty income declined by $31,407,228, or 28.4%, in the nine months ended September 30, 2020 compared to the prior year period due to the expiry of royalties in certain geographies for the DRIT Portfolio, and DR III LP receiving its final royalty payment for the Keytruda entitlement in 2019. The Keytruda entitlement was structured such that once the fund received a fixed amount of royalties, future royalties would cease. In addition, royalties from Spinraza declined compared to the prior year. These decreases in royalties were offset by increased royalties from Eylea I, Eylea II, Zytiga, Rydapt and the Rilpivirine Portfolio which experienced strong underlying sales.

Years ended December 31, 2019 and 2018

Royalty income declined $75,467,835, or 34.3%, in 2019 compared to 2018, primarily due to reduced royalties from Keytruda, as the royalties ceased in 2019 as the royalty reached its fixed royalty cap for the drug. In addition, we ceased to be paid royalties for Ampyra as the last remaining patent of the drug expired in 2018 and the other patents were invalidated by a U.S. District Court's decision in 2017. This decline was partially offset by increased royalties from Spinraza as it earned its first full year of royalties, and increased royalties from Eylea I, Eylea II, Zytiga, Rydapt, the Rilpvirine Portfolio and the DRIT Portfolio which continued to experience strong underlying sales.

Years ended December 31, 2018 and 2017

Royalty income increased by $86,876,384, or 65.4%, in 2018 compared to 2017, primarily due to higher royalties from Keytruda as a result of strong performance due to its approval for new indications. Royalty income was also higher as 2018 was the first full year of royalties from the Rilpivirine Portfolio, which was acquired in 2017, and we

received royalties for Juluca, which was approved by the FDA in 2017. In addition, higher royalties were earned from the DRIT Portfolio as Stelara continued to exhibit strong performance due to its approval to treat Crohn's disease in 2016. Additionally, Spinraza and Rydapt were acquired during the second quarter of 2018 and we earned royalties from these products for the balance of the year. In addition, royalties from Zytiga and Eylea I and Eylea II increased in 2018 due to continued strong performance of the drugs. This was offset by lower royalties from Ampyra as the royalty ceased to be paid in 2018.

Interest and other income

Three and nine months ended September 30, 2020 and 2019

Interest and other income for the three and nine months ended September 30, 2020 was $1,066 and $92,622 compared to $165,968 and $838,736, respectively, in the prior periods. This is primarily due to a reduction in funds held in trust based on royalty receipts and restricted cash, concurrent with regular repayment of the secured notes. In addition, interest rates declined over this period.

Years ended December 31, 2019 and 2018

Interest and other income increased by $299,208, or 44.7%, in 2019 compared to the prior year primarily due to higher balances of funds held in trust due to royalties earned from Spinraza and Rydapt for a full year, higher restricted cash during the year and the impact of higher interest rates.

Years ended December 31, 2018 and 2017

Interest and other income increased by $525,255, or 363.1%, in 2018 compared to 2017, primarily due to higher balances of funds held in trust due to royalties earned from Keytruda, the additions of royalties from Spinraza and Rydapt during the year and higher restricted cash during the year due to the securitization of additional assets.

Amortization of royalty investments

Three and nine months ended September 30, 2020 and 2019

Amortization of royalty investments decreased by $4,379,723, or 28.1%, in the three months ended September 30, 2020 compared to the prior year period primarily due to lower amortization related to the DRIT Portfolio due to the expiry of royalties in certain geographies. This was offset by higher amortization for Rydapt and Spinraza compared to the prior year period.

Amortization of royalty investments decreased by $21,335,078, or 34.5%, in the nine months ended September 30, 2020 compared to the prior year period primarily due to the final amortization related to Keytruda in 2019 and the lower amortization related to the DRIT Portfolio, as noted above. This was offset by higher amortization for Rydapt and Spinraza compared to the prior year period.

Years ended December 31, 2019 and 2018

Amortization of royalty investments decreased by $60,414,247, or 42.2%, in 2019 compared to the prior year primarily due to an 87% reduction in the amortization for Keytruda as the majority of the royalty's book value was amortized in 2018. This was partially offset by increased amortization for Spinraza and Rydapt due to the fact that a full year of amortization was recognized in 2019, as the assets were acquired in 2018. In addition, there was higher amortization for Eylea I and Eylea II, the Rilpivirine Portfolio, the DRIT Portfolio and Zytiga compared to the prior year.

Years ended December 31, 2018 and 2017

Amortization of royalty investments increased by $48,405,981, or 51.1%, in 2018 compared to 2017 primarily due to increased amortization for Keytruda as the majority of its carrying value was amortized recognized in 2018, reflecting its strong performance. Amortization also increased partially due to the additional amortization of royalties on Spinraza and Rydapt, which was also recognized for partial periods as they were acquired in 2018. In addition, there was higher amortization for the DRIT Portfolio, Eylea I, Eylea II and the Rilpivirine Portfolio compared to the prior year.

Impairment of royalty investments

During the years ended December 31, 2017 and 2019, we recognized impairments on our royalty investments of $3,246,178 and $9,880,791, respectively. In 2017, the impairment was related to the U.S. District Court's decision to invalidate four of Ampyra's five patents, which resulted in the reduction of forecasted royalties.

In 2019, the impairment was related to the Spinraza royalty entitlement and was attributable to changes in the competitive environment due to the threats from two competing products: Zolgensma and Risdiplam. Further analysis of clinical data and market disclosures resulted in the reduction of forecasted royalties for Spinraza.

During the three and nine months ended September 30, 2020, we recognized a reversal on the previously recognized impairment in the amount of $278,427 and $1,028,942, respectively, as the discounted future cash flows for Spinraza exceeded the carrying value based on revisions to our projected cash flows for Spinraza during the year. The factors leading to the impairment reversals were the continued review of market and clinical data related to Spinraza and an updated forecast reflecting the latest information on product sales.

Interest expense and finance fees

Three and nine months ended September 30, 2020 and 2019

Interest expense and finance fees reflect amortized finance charges and interest paid on our secured notes in accordance with the terms of the Indenture Agreement. Interest expense and finance fees decreased by $1,295,995, or 54.6%, in the three months ended September 30, 2020 compared to the prior year period primarily due to continued quarterly repayments of the secured notes reducing the outstanding balance upon which the interest is calculated.

Interest expense and finance fees decreased by $4,033,163, or 49.1%, in the nine months ended September 30, 2020 compared to the prior year period due to the same reason noted above.

Years ended December 31, 2019 and 2018

Interest expense and finance fees decreased by $139,550, or 1.3%, in 2019 compared to the prior year due to continued quarterly repayments of the secured notes payable reducing the outstanding balance upon which the interest is calculated, offset by additional interest expense arising from the issuance of the Series 2018-1 Class A-1 and 2018-1 Class A-2 secured notes.

Years ended December 31, 2018 and 2017

Interest expense and finance fees increased by $30,283, or 0.3%, in 2018 compared to 2017 due to the issuance of the Series 2018-1 Class A-1 and 2018-1 Class A-2 secured notes in 2018, offset by continued quarterly repayments of the secured notes reducing the outstanding balance upon which the interest is calculated.

Servicer fees

Three and nine months ended September 30, 2020 and 2019

Servicer fees for the three and nine months ended September 30, 2020 were $400,000 and $1,200,000, respectively. There were no changes in servicer fees in 2020 compared to 2019.

Years ended December 31, 2019, 2018 and 2017

There were no changes in servicer fees in 2019 compared to 2018 and 2018 compared to 2017.

Operating expenses

The following table outlines the major categories of operating expenses:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Consulting	$321,803	$ 698,851	$ 695,023	$1,016,147	$1,118,047	$ 913,398	$ 879,856
Legal	31,905	470,688	(84,376)	623,018	851,475	126,048	1,786,410
Administrative	67,966	85,646	528,901	476,114	544,756	404,603	339,648
Audit	16,249	13,000	48,124	55,185	73,685	85,037	75,435
Other operating expenses	12,753	(23,653)	39,604	54,012	71,796	272,884	281,193
Total	**$450,676**	**$1,244,532**	**$1,227,276**	**$2,224,476**	**$2,659,759**	**$1,801,970**	**$3,362,542**

Three and nine months ended September 30, 2020 and 2019

Operating expenses decreased by $793,856, or 63.8%, in the three months ended September 30, 2020 compared to the same period of the prior year, primarily as a result of decreased fees paid to legal counsel of $438,783 and external consultants of $377,048 and lower administrative expenses compared to the prior year period. This was offset by an increase in audit expenses and other operating expenses.

Operating expenses decreased by $997,200, or 44.8%, in the nine months ended September 30, 2020 compared to the same period of the prior year, primarily due to decreased fees paid to legal counsel of $707,394, including the impact of a recovery of legal fees in 2020 related to a reversal of year-end accruals and amounts expected but not yet invoiced, decreased fees paid to external consultants of $321,124, and decreased audit expenses and other operating expenses. This was partially offset by an increase of $52,787 in administrative expenses.

Years ended December 31, 2019 and 2018

Operating expenses increased by $857,789, or 47.6%, during 2019 compared to 2018, primarily due to increased fees from external consultants engaged to assist in the development of forecasts of future cash flows of the royalty assets for the valuation of our portfolio. In addition, legal expenses were incurred related to the potential restructuring of DR III LP as part of a public offering.

Years ended December 31, 2018 and 2017

Operating expenses decreased by $1,560,572, or 46.4%, during 2018 compared to 2017. The decline is due to higher legal expenses related to work on transactions that did not close in 2017.

Unrealized gains and losses on interest rate swap and foreign exchange swap

Years ended December 31, 2019, 2018 and 2017

The net change in unrealized appreciation of interest rate swap and net change in unrealized appreciation (depreciation) of foreign exchange swap reflect the movement in fair market value of these financial instruments due to movements in the LIBOR curve due to market interest rate movements and foreign exchange rates, respectively.

As at September 30, 2020, $289,797,796 and $26,024,433 in notional amounts of the interest rate swap and foreign exchange swap remained outstanding, respectively. At September 30, 2020, $nil of realized losses on interest rate swaps were recorded within interest expense.

As at December 31, 2019, $481,936,829 and $38,906,745 notional amounts of the interest rate swap and foreign exchange swap remained outstanding, respectively. In 2019, $10,570, in 2018 $79,337, and in 2017 $nil of realized losses on interest rate swaps were recorded within interest expense.

Non-IFRS Financial Results

DR III LP reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA.

As noted above, royalty income is recorded on an accrual basis when earned by DR III LP in accordance with our contractual rights. Because of the lag between when we record royalty income and when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance.

Total Cash Royalty Receipts represents royalty income, plus royalties receivable – beginning of period, less royalties receivable – end of period. Total Cash Royalty Receipts refers to all cash royalty receipts from our portfolio rather than cash royalty receipts in respect of a particular product.

EBITDA represents net income and comprehensive income, adjusted for the following: (i) amortization of royalty investments, and (ii) interest expense and finance fees.

Adjusted EBITDA represents net income and comprehensive income: (i) plus amortization of royalty investments, (ii) plus interest expense and finance fees, (iii) plus royalties receivable at the beginning of period, (iv) less royalties receivable at the end of period, and reversing the impact of the following: (v) (reversal of) impairment of royalty investments, (vi) net change in unrealized depreciation of interest rate swap, and (vii) net change in unrealized (appreciation) depreciation of foreign exchange swap.

We believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of DR III LP and the performance of its business.

Three and Nine Months Ended September 30, 2020 and 2019, and the Years Ended December 31, 2019, 2018, and 2017

The table below includes the cash royalty receipts for the three and nine months ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017 for our Core Products, Mature Products and Legacy Products.

			For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	Marketer	Therapeutic area	2020	2019	2020	2019	2019	2018	2017
Core Products									
Spinraza	Biogen	Rare Diseases	$ 5,030,230	$ 5,153,891	$16,213,856	$ 15,326,909	$ 20,778,638	$ 3,777,599	$ —
Eylea I	Bayer Regeneron Santen	Ophthalmology	—	2,586,918	5,426,138	7,545,754	10,253,216	9,313,655	8,132,984
Eylea II	Bayer Regeneron Santen	Ophthalmology	—	1,149,742	2,411,331	3,347,004	4,550,320	4,093,081	3,538,123
Zytiga	Johnson & Johnson AstraZeneca	Oncology	—	—	8,266,925	11,350,832	18,642,540	12,301,291	10,784,273
Rydapt	Novartis	Oncology	1,873,207	859,621	6,552,527	3,832,822	5,989,573	1,801,051	—
			6,903,437	**9,750,172**	**38,870,777**	**41,403,321**	**60,214,287**	**31,286,677**	**22,455,380**
Mature Products									
Rilpivirine Portfolio	Gilead Johnson & Johnson ViiV	HIV	8,179,164	7,256,053	23,885,670	21,858,148	30,065,557	28,400,059	22,352,624
DRIT Portfolio	Johnson & Johnson Merck Mitsubishi Tanabe Novartis	Autoimmune Disease	1,293,715	10,231,239	5,517,777	29,038,230	38,609,567	35,478,285	27,550,045
			9,472,879	**17,487,292**	**29,403,447**	**50,896,378**	**68,675,124**	**63,878,344**	**49,902,669**
Legacy Products									
Ampyra	Accorda Biogen	Neurological Disease	—	—	—	—	—	10,285,030	11,063,983
Keytruda	Merck	Oncology	—	14,214,652	—	74,471,192	74,471,192	81,769,260	28,171,128
			—	**14,214,652**	—	**74,471,192**	**74,471,192**	**92,054,290**	**39,235,111**
Total Cash Royalty Receipts			**$16,376,316**	**$41,452,116**	**$68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**

Reconciliations of Non-IFRS measures

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	**2019**	**2020**	**2019**	**2019**	**2018**	**2017**
Royalty income	**$ 28,938,543**	**$ 29,241,492**	**$ 79,346,670**	**$110,753,898**	**$144,300,491**	**$219,768,326**	**$132,891,942**
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
Total Cash Royalty Receipts	**$ 16,376,316**	**$ 41,452,116**	**$ 68,274,224**	**$166,770,891**	**$203,360,603**	**$187,219,311**	**$111,593,160**
Net income and comprehensive income	**$ 15,552,936**	**$ 10,559,296**	**$ 33,230,593**	**$ 38,584,222**	**$ 38,203,956**	**$ 57,998,634**	**$ 6,296,562**
Amortization of royalty investments	11,212,842	15,592,565	40,543,761	61,878,839	82,631,024	143,045,271	94,639,290
Interest expense and finance fees	1,076,393	2,372,388	4,173,889	8,207,052	10,285,629	10,425,179	10,394,896
EBITDA	**$ 27,842,171**	**$ 28,524,249**	**$ 77,948,243**	**$108,670,113**	**$131,120,609**	**$211,469,084**	**$111,330,748**
Royalties receivable – beginning of period	19,883,483	36,627,007	21,373,264	80,433,376	80,433,376	47,884,361	26,585,579
Royalties receivable – end of period	(32,445,710)	(24,416,383)	(32,445,710)	(24,416,383)	(21,373,264)	(80,433,376)	(47,884,361)
(Reversal of) impairment of royalty investments	(278,427)	—	(1,028,942)	—	9,880,791	—	3,246,178
Net change in unrealized depreciation of interest rate swap	3,490	8,423	5,528	150,506	152,517	285,417	169,146
Net change in unrealized depreciation (appreciation) of foreign exchange swaps	577,861	(646,926)	430,005	(269,087)	489,000	96,005	2,296,296
Adjusted EBITDA	**$ 15,582,868**	**$ 40,096,370**	**$ 66,282,388**	**$164,568,525**	**$200,703,029**	**$179,301,491**	**$ 95,743,586**

Adjusted EBITDA

Three and nine months ended September 30, 2020 and 2019

Adjusted EBITDA declined by $24,513,502, or 61.1%, in the three months ended September 30, 2020 compared to the same period of 2019, respectively. The decline during this period was primarily related to the end of Keytruda royalties in 2019 as DR III LP achieved its fixed cap amount, entitlements in certain geographies expiring for the DRIT Portfolio which reduced royalties in the current period, and the timing of the cash royalty receipts for Eylea I and Eylea II, which were received shortly after the end of the quarter. This was offset by strong royalties from Rydapt and the Rilpivirine Portfolio due to strong underlying sales during the period.

Adjusted EBITDA declined by $98,286,137, or 59.7%, in the nine months ended September 30, 2020 compared to the same period of 2019, respectively. As noted above, the decline during this period was primarily related to the end of Keytruda royalties in 2019 as DR III LP achieved its fixed cap amount, entitlements in certain geographies expiring for the DRIT Portfolio in 2019, and the timing of the cash royalty receipts for Eylea I and Eylea II, which were received shortly after the end of the quarter. In addition, there was a reduction in royalties for Zytiga due to a one-time royalty payment of $3,500,000 which was received from the royalty vendor in 2019. This was offset by stronger royalty receipts for and Rydapt, the Rilpivirine Portfolio and Sprinraza due to strong underlying sales during the period.

Years ended December 31, 2019 and 2018

Adjusted EBITDA increased by $21,401,538, or 11.9%, in 2019 compared to 2018 primarily due to a full year of cash royalty receipts for Spinraza and Rydapt, increased cash royalty receipts from Zytiga due to a one-time royalty payment of $3,500,000 which was received from the royalty vendor in 2019 and strong underlying sales as Zytiga was approved for newly diagnosed high risk metastatic hormone sensitive prostate cancer in 2017, higher cash royalty receipts from the DRIT Portfolio due to strong performance from Stelara and increased cash royalty receipts from Eylea I, Eylea II and the Rilpivirine Portfolio. This growth was offset by lower cash royalty receipts from Keytruda, as the royalties ceased in 2019 as DR III LP reached the cap on royalties to be received, with a significant amount of cash royalties received in 2018 as a result of strong performance of the product as well as lower royalties from Ampyra, as royalties ceased in 2018. In addition, Adjusted EBITDA improved due to lower management fees in 2019 as management fees ended on July 1, 2018, which was partially offset by higher operating expenses.

Years ended December 31, 2018 and 2017

Adjusted EBITDA increased by $83,557,905, or 87.3%, in 2018 compared to 2017, primarily due to higher cash royalty receipts from Keytruda as a result of strong performance due to its approval for new indications, higher cash royalty receipts from the DRIT Portfolio as Stelara continued to exhibit strong performance due to its approval to treat Crohn's disease in 2016, the acquisition of Spinraza and Rydapt during the second quarter of 2018 and increased cash royalty receipts from Zytiga and the Rilpivirine Portfolio. In addition, Adjusted EBITDA improved due to lower management fees in 2018 as management fees ended on July 1, 2018 and lower operating expenses.

Liquidity and Capital Resources

Overview

Our primary source of liquidity is cash provided by operating activities. For the nine months ended September 30, 2020 and 2019, we generated $100,847,243 and $205,265,573 respectively, in cash provided by operating activities. For the years ended December 31, 2019, 2018, and 2017, we generated $231,286,757, $141,567,193, and $62,587,898, respectively, in cash provided by operating activities. We believe that 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 our obligations for the foreseeable future. We have historically operated at a low level of fixed operating costs.

We have a long track record of successfully funding our business by raising private capital and issuing secured notes. DR III LP's ability to meet working capital needs depends on its future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other risk factors, many of which are beyond our control.

As of September 30, 2020, we had a total of $97,495,627 long-term debt outstanding (current portion of $51,476,145 and non-current portion of $46,019,482). As of December 31, 2019, 2018, and 2017 we had total long-term debt (current and non-current portions) outstanding of $159,441,800, $246,830,455 and $223,587,545, respectively, related to our outstanding secured notes.

Cash flows

Three and Nine Months Ended September 30, 2020 and 2019, and the Years Ended December 31, 2019, 2018, and 2017

The following table summarizes our cash flow activities for the three and nine months ended September 30, 2020 and 2019, and the years ended December 31, 2019, 2018, and 2017:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash provided by (used in):							
Operating activities	$ 27,799,460	$ 92,799,828	$ 100,847,243	$ 205,265,573	$ 231,286,757	$ 141,567,193	$ 62,587,898
Investing activities	—	—	—	—	—	(153,368,541)	—
Financing activities	($27,966,169)	($92,742,761)	($101,287,284)	($271,669,342)	($295,364,625)	$ 75,463,838	($59,842,631)

Operating activities

Three and nine months ended September 30, 2020 and 2019

Cash provided by operating activities declined by $65,000,368, or 70.0%, in the three months ended September 30, 2020 compared to the same period of the prior year. The primary driver was reduced cash royalty receipts offset by lower operating expenses and lower interest paid.

Cash provided by operating activities declined by $104,418,330, or 50.9%, in the nine months ended September 30, 2020 compared to the same period of the prior year. The primary driver was reduced cash royalty receipts offset by lower operating expenses and lower interest paid.

Years ended December 31, 2019 and 2018

Cash provided by operating activities increased by $89,719,564, or 63.4%, in 2019 compared to 2018, primarily due continued strong cash royalty receipts from Spinraza, Zytiga, Rydapt, the DRIT Portfolio, the Rilpivirine Portfolio Eylea I and Eylea II. In addition, no management fees were paid in 2019. However, this reduction was offset by higher operating expenses.

Years ended December 31, 2018 and 2017

Cash provided by operating activities increased by $78,979,295, or 126.2%, in 2018 compared to 2017, primarily due to strong cash royalty receipts from Keytruda and the DRIT Portfolio, the Rilpivirine Portfolio, Eylea I and Eylea II and the addition of royalties from Spinraza and Rydapt acquired during the second quarter of 2018. In addition, management fees decreased as only two quarters of management fees were paid in 2018 and operating expenses were lower in 2018.

Investing activities

Years ended December 31, 2019 and 2018

Cash used in investing activities decreased by $153,368,541, or 100%, in 2019 compared to 2018, primarily due to no further acquisitions being made after the investment period ended in 2018.

Years ended December 31, 2018 and 2017

Cash used in investing activities increased by $153,368,541 from $nil in 2018 compared to 2017, primarily due to the acquisitions of Spinraza and Rydapt in 2018.

Financing activities

Three and nine months ended September 2020 and 2019

Cash used in financing activities declined by $64,776,592, or 69.8%, in the three months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in partner distributions of $54,981,738, or 89.6%, due to reduced cash royalty receipts, lower payments related to our secured notes of $8,730,900 due to regular instalment payments, and a related $1,100,275 decrease in interest payments on our secured notes as the outstanding balance continues to decline.

Cash used in financing activities declined by $170,382,058, or 62.7%, in the nine months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in partner distributions of $155,269,146, or 81.2%, due to reduced cash royalty receipts, lower payments related to our secured note payable of $11,789,394 due to regular instalment payments, and lower interest payments which declined by $2,636,354 due to the continued decline in the outstanding balance of the secured notes. This was offset by a decrease in restricted cash of $687,164 due to the continued reduction in the outstanding balance of the secured notes.

Years ended December 31, 2019 and 2018

Cash used in financing activities in 2019 increased by $370,828,463, or 491.4%, in 2019 compared to 2018, primarily due to increases in partner distributions of $127,565,660 driven by higher cash provided by operating activities, increased repayment of secured notes by $17,540,248, increased interest payments of $525,398, offset by a decrease in the change in restricted cash of $2,326,902. In addition, DR III LP did not issue any new secured notes or source additional capital contributions in 2019, compared to 2018 which had $95,000,000 and $134,729,961, respectively.

Years ended December 31, 2018 and 2017

Cash provided by financing activities in 2018 increased by $135,306,469, or 226.1%, in 2018 compared to 2017, primarily as a result of decreases in partner distributions of $78,301,194 due to cash used in investing activities, as well as increase in the repayment of our secured notes by $22,048,408. In 2018, DR III LP's net advances from its credit

facilities increased by $51,933,514, and its capital contributions increased by $73,321,091, while financing raised through the issuance of secured notes declined by $47,500,000, compared to 2017.

Sources of Capital and Borrowings

As of September 30, 2020, our cash and cash equivalents totaled $1,964,848. As of December 31, 2019, 2018, and 2017 our cash and cash equivalents totaled $2,404,889, $66,482,757, and $2,820,267, respectively.

Secured Notes Payable

We issued our Series 2016 – 1, Series 2017 – 1 Class A – 1 and Class A – 2, and Series 2018 – 1 Class A – 1 and Class A – 2 secured notes in 2016, 2017 and 2018. Principal payments on our secured notes are made quarterly following a prescribed formula and in the stated order of priority, after the deduction of allowable expenses, including interest, from the cash received from the royalty interest portfolio held by Drug Royalty III LP 1. The terms of the notes require accelerated payments in certain events and also allow for voluntary prepayments under certain circumstances. The secured notes are secured by the assets of Drug Royalty III LP 1.

We had the following indebtedness outstanding at September 30, 2020, and December 31, 2019, 2018 and 2017:

	Stated Final Maturity	Spread over LIBOR	As at September 30, 2020	As at December 31, 2019	2018	2017
Series 2016 – 1 Bearing interest at 3.979%	April 15, 2027	—	$ —	$ 20,327,743	$ 59,193,010	$ 97,285,131
Series 2017 – 1 Class A – 1 Bearing interest at three month LIBOR + 2.50%	April 15, 2027	2.50%	16,073,566	32,620,477	47,356,849	63,151,207
Series 2017 – 1 Class A – 2 Bearing interest at 3.60%	April 15, 2027	—	16,073,566	32,620,477	47,356,849	63,151,207
Series 2018 – 1 Class A – 1 Bearing interest at three month LIBOR + 1.60%	October 15, 2031	1.60%	30,713,793	34,720,358	43,674,161	—
Series 2018 – 1 Class A – 2 Bearing interest at 4.27%	October 15, 2031	—	34,634,702	39,152,745	49,249,586	—
Total secured notes payable			**$97,495,627**	**$159,441,800**	**$246,830,455**	**$223,587,545**
Less Current Portion			51,476,145	72,253,190	87,495,680	69,966,544
Long Term Portion			**$46,019,482**	**$ 87,188,610**	**$159,334,775**	**$153,621,001**

With the issuance of the 2017 – 1 Class A – 1 Note, DR III LP purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2017 – 1 Class A – 1 Note at 3.00%.

With the issuance of the 2018 – 1 Class A – 1 Note, DR III LP purchased an interest rate swap with a financial institution effectively capping LIBOR on the Series 2018 – 1 Class A – 1 Note at 3.25%.

During the three and nine months ended September 30, 2020, amortized finance charges of $236,367 and $872,825 were included in interest expense and finance fees in the consolidated statement of income and comprehensive income. In 2019, amortized finance charges of $2,088,126 (2018 – $2,513,790, 2017 – $2,909,841) were included in interest expense and finance fees in the consolidated statement of income and comprehensive income.

Uses of Capital

During its investment period, DR III LP would use equity capital from its limited partners to acquire royalty investments. DR III LP also maintained a $100,000,000 credit facility between 2015 and 2018 that was to be used to fund the acquisitions of royalty investments prior to calling equity capital from its limited partners to allow for more

efficient closing of investments. We use cash royalty receipts to pay for fees and expenses, minimizing the cash outlay from our investors. We also issued investment grade debt as a source of debt capital.

Distributions to Partners

In the nine months ended September 30, 2020, we made distributions of $35,951,647. For the years ended December 31, 2019, 2018, 2017 and in the nine months ended September 30, 2019, we made distributions of $199,011,688, $71,446,028, $149,747,222, and $191,220,793, respectively.

Summary Consolidated Statement of Financial Position

The following table presents summarized consolidated balance sheets as at September 30, 2020, and December 31, 2019, 2018 and 2017, and January 1, 2017:

	As at September 30, 2020	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Current assets					
Cash and cash equivalents	$ 1,964,848	$ 2,404,889	$ 66,482,757	$ 2,820,267	$ 75,000
Funds held in trust	16,626,738	51,247,731	82,082,645	49,417,460	17,053,001
Royalties receivable	32,445,710	21,373,264	80,433,376	47,884,361	26,585,579
Accounts Receivable	326	55,469	231,815	43,070	13,060
Prepaid expenses and other assets	147,949	111,885	49,919	183,760	101,064
Deferred Charges	—	—	14,539	157,523	391,207
Non-current assets					
Royalty investments, at net book value	168,793,383	208,308,202	300,820,017	290,496,747	331,397,948
Restricted cash	2,264,340	3,755,424	5,340,501	4,598,676	2,745,263
Fair value of interest rate swap	2,392	7,920	160,437	35,854	—
Fair value of foreign exchange swap	487,169	917,174	1,406,174	394,962	2,057,931
Total assets	**$222,732,855**	**$288,181,958**	**$537,022,180**	**$396,032,680**	**$380,420,053**
Current liabilities					
Accounts payable and accrued liabilities	1,414,544	2,196,420	2,840,255	3,636,197	2,568,327
Management fees payable	—	—	—	2,740,035	2,740,035
Secured notes payable	51,476,145	72,253,190	87,495,680	69,966,544	48,058,075
Credit facility payable	—	—	—	—	51,933,514
Non-current liabilities					
Secured notes payable	46,019,482	87,188,610	159,334,775	153,621,001	83,993,676
Total liabilities	**98,910,171**	**161,638,220**	**249,670,710**	**229,963,777**	**189,293,627**
Equity					
Attributable to owners of the Partnership	90,992,654	93,077,067	227,804,593	121,107,700	170,190,546
Non-controlling interest	32,830,030	33,466,671	59,546,877	44,961,203	20,935,880
	123,822,684	**126,543,738**	**287,351,470**	**166,068,903**	**191,126,426**
Total liabilities and equity	**$222,732,855**	**$288,181,958**	**$537,022,180**	**$396,032,680**	**$380,420,053**

September 30, 2020 compared to December 31, 2019

- Total assets were $222,732,855 as at September 30, 2020, compared to $288,181,958 as at December 31, 2019. DR III LP's asset base primarily consists of royalty investments. The decrease in the total assets from December 31, 2019 reflected additional amortization on royalty investments, a reduction of $34,620,993 in funds held in trust, a reduction in cash and cash equivalents, and the fair value of foreign exchange swap, offset by increased royalties receivable of $11,072,446.

- Total liabilities as at September 30, 2020 were $98,910,171, compared to $161,638,220 as at December 31, 2019. Liabilities are comprised largely of secured notes payable and accounts payable and accrued liabilities for operating expenses.
- Total equity decreased from $126,543,738 as at December 31, 2019 to $123,822,684 as at September 30, 2020, largely due to net partner distributions of $35,951,647, offset by net income earned of $33,230,593.

December 31, 2019, 2018 and 2017

- Total assets were $288,181,958 as at December 31, 2019, compared to $537,022,180 at December 31, 2018 and $396,032,680 at December 31, 2017. DR III LP's asset base in each period primarily consisted of non-current assets such as royalty investments. The decrease in assets since December 31, 2017 reflects amortization on royalty investments, reduced restricted cash as a result of the continued repayment of our secured notes and partner distributions of excess cash held at the end of 2018.
- Total liabilities at December 31, 2019 were $161,638,220, compared to $249,670,710 at December 31, 2018 and $229,963,777 at December 31, 2017. Total liabilities in 2017 and 2018 consisted primarily of our secured notes**.** The decrease in liabilities from 2017 to 2019 was largely due to repayments of our secured notes in the amount of $89,462,242 in 2019 and $71,921,994 in 2018, offset by the issuance of $95,000,000 in secured notes in 2018.
- Total equity at December 31, 2019 was $126,543,738 compared to $287,351,470 in 2018 and $166,068,903 in 2017. The decrease in equity from 2017 reflects distributions to partners offset by net income earned and capital contributions in 2018 and 2017.

Commitments, Contingencies and Guarantees

We do not have any commitments, contingencies or guarantees that would require disclosure or accrual of amounts in the consolidated financial statements.

The repayment schedule below is based on the most likely repayment schedule for the secured notes based on the timing and amount of expected future royalty revenues to be received. Actual repayments may vary depending on the timing and amount of actual receipts and the resulting impact on the payment provisions as provided for in the Indenture Agreement. As of September 30, 2020, the expected principal repayment schedule for the outstanding series secured notes is as follows:

	Series 2018 – 1 Class A – 1	Series 2018 – 1 Class A – 2	Series 2017 – 1 Class A – 1	Series 2017 – 1 Class A – 2	Total
2020	$ 2,669,176	$ 3,009,923	$ 2,387,182	$ 2,387,182	$10,453,463
2021	8,300,435	9,360,065	13,760,165	13,760,165	45,180,830
2022	9,347,478	10,540,773	—	—	19,888,251
2023	7,359,660	8,299,191	—	—	15,658,851
2024	3,467,519	3,910,181	—	—	7,377,700
	$31,144,268	$35,120,133	$16,147,347	$16,147,347	$98,559,095

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Related Party Transactions

DRI Capital is related to an investor, and the owner of the general partner of DR III LP, and serves as the manager for DR III LP and the servicer for our secured notes. Servicer fees represent the amounts payable to DRI Capital based on amounts agreed to between DRI Capital and DR III LP pursuant to a servicing agreement and are recorded at the exchange amount.

Transactions and balances with DRI Capital during the three and nine months ended September 30, 2020 and 2019 were as follows:

- During the three and nine month period ended September 30, 2020, DR III LP was charged servicer fees by DRI Capital in the amount of $400,000 and $1,200,000 (2019 – $400,000 and $1,200,000), respectively.
- Included in accounts payable at September 30, 2020 is $516,514 (December 31, 2019 – $544,177) payable to DRI Capital for reimbursement of third party costs incurred.

Transactions and balances with DRI Capital during the years ended December 31, 2019, 2018 and 2017 were as follows:

- During the year ended December 31, 2019, DR III LP was charged $nil management fees by DRI Capital (2018 – $5,480,070, and 2017 – $10,960,140)
- During the year ended December 31, 2019, DR III LP was charged servicer fees by DRI Capital in the amount of $1,600,000 (2018 – $1,600,000, and 2017 – $1,600,000)
- Included in accounts payable at December 31, 2019 is $544,177 (2018 – $1,055,353, and 2017 – $3,606,264) payable to DRI Capital for reimbursement of third party costs incurred.

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of royalty income, expenses and other income during the year. Significant estimates relate to royalty income, provision for expected credit losses of royalties receivable, the timing of expected future debt repayment and fair values of interest rate swaps and foreign exchange swaps. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements.

In determining royalty income earned in a period, judgments are made with respect to the performance of the underlying products, and commercial factors based on historical and expected performance, our knowledge of each royalty investment and our regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amount receivable for 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 received is known.

DR III LP reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires DR III LP to use a valuation technique to determine if impairment exists. DR III LP 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

Financial Instruments

The fair value of a financial instrument is the estimated amount that DR III LP would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Financial instruments include cash and cash equivalents, funds held in trust, restricted cash, accounts receivable, accounts payable and accrued liabilities, foreign exchange swap and interest rate swap. Cash, funds held in trust, restricted cash, and the foreign exchange swaps and interest rate swaps are carried at fair value. With the exception of the swaps, the carrying amounts of these financial instruments represents fair value due to the immediate or short-term duration of these items.

There were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2020 or the years ended December 31, 2019, 2018 and 2017.

The fair value of foreign exchange and interest rate swaps were Level 2 measurements and based on publicly available pricing information on these derivative financial instruments.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are subject to certain risks which may affect our results of operations, cash flows and fair values of assets and liabilities, including volatility in foreign currency exchange rates and interest rate movements. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our cash equivalents are primarily held in short-term money market funds and the nature of our marketable securities is generally short-term. Although we currently do not have any interest rate swaps or foreign currency forward contracts in place, we have historically managed the impact of foreign currency exchange rate and interest rate risk through various financial instruments and derivative instruments. We only use derivatives strategically to hedge existing interest rate exposure and to minimize volatility in cash flow and earnings arising from our exposure to foreign currency risk. We do not enter into derivative instruments for trading or speculative purposes. The counterparties to these contracts are all major financial institutions.

Foreign Currency Exchange Risk

Our results of operations are subject to foreign currency exchange risk through transactional exposure resulting from movements in exchange rates between the time we recognize royalty income and the time at which the transaction settles, or we receive the royalty payment. Because we are entitled to royalties on worldwide sales for various products, there is an underlying exposure to foreign currency as the marketer converts payment amounts from local currencies to U.S. dollars using a quarterly average exchange rate. Therefore, cash received may differ from the estimated receivable based on fluctuations in currency. As a result, significant changes in foreign exchange rates can impact our results. We manage this risk by using foreign exchange derivatives, such as swaps to limit potential foreign exchange losses.

Interest Rate Risk

We are subject to interest rate fluctuation exposure through our borrowings under secured notes payable and our overnight cash investment in money market instruments, the majority of which bear a variable interest rate for funds held in trust and restricted cash. As of September 30, 2020, we held funds held in trust of $16,626,738 and restricted cash of $2,264,340 held in relation to the repayment of the secured notes payable.

As of December 31, 2019, we held funds held in trust of $51,247,731 and restricted cash of $3,755,424 in relation to the secured notes payable. As of December 31, 2018, we held funds held in trust of $82,082,645 and restricted cash of $5,340,501 which were all subject to overnight cash investment. As of December 31, 2017, we held funds held in trust of $49,417,460 and restricted cash of $4,598,676 which were all subject to overnight cash investment. As funds are invested on an overnight basis with a major U.S. bank, we do not believe that a decrease in interest rates would have any material negative impact on the value of funds held in trust and restricted cash.

Our debt portfolio is managed on a consolidated basis and DRI Capital manages the debt to achieve the lowest cost of debt capital. As at September 30, 2020, we held secured notes of $97,495,627 (current portion of $51,476,145 and non-current portion of $46,019,482). As at September 30, 2020, 52% of our secured notes payable was at a fixed rate of interest between of 3.6% and 4.27%. The remaining debt held at variable interest rates based on three month LIBOR plus a spread of between 1.6% and 2.5%.

Credit and Counterparty Risk

Credit risk arises from the possibility that DR III LP's debtors may experience financial difficulty and be unable to fulfill their financial obligations. DR III LP's royalty receivable are concentrated in the pharmaceutical and health sciences industry. DR III LP monitors its exposure to its counterparties on a regular basis.

As of September 30, 2020, royalties receivable representing greater than 10% of the balance receivable included $30,223,453 related to royalties receivable from three counterparties. As of December 31, 2019, royalties receivable included $19,600,451 (2018 – $71,601,553, and 2017 – $41,436,694) from three (2018 – two, and 2017 – two) counterparties.

For the three month period ended September 30, 2020, royalty income included $25,868,483 (2019 – $25,789,936), from four (2019 – four) counterparties. For the nine month period ended September 30, 2020, royalty income included $66,826,799 (2019 – $95,516,172), from four (2019 – five) counterparties.

For the year ended December 31, 2019, royalty income included $123,836,093 (2018 – $173,333,625, and 2017 – $85,539,012) from five (2018 – three, and 2017 – three) counterparties.

We monitor the financial performance and creditworthiness of the counterparties to our royalty agreements and to our derivative contracts so that we can properly assess and respond to changes in their credit profile. To date, we have not experienced any significant losses with respect to the collection of income or revenue on our royalty investments.

Carve-out financial statements of

RMF 2 Co-Investment Fund Portfolio

For the years ended

December 31, 2019, 2018 and 2017

RMF 2 CO-INVESTMENT FUND PORTFOLIO

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Independent Auditor's Report

To the Partners of
RMF 2 Co-Investment Fund Portfolio

Opinion

We have audited the financial statements of RMF 2 Co-Investment Fund Portfolio (the "Fund"), which comprise the carve-out statements of financial position as at December 31, 2019, 2018 and 2017 and January 1, 2017, and the carve-out statements of income and comprehensive income, changes in net parent investment and cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the carve-out financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 10, 2021

RMF 2 CO-INVESTMENT FUND PORTFOLIO

CARVE-OUT STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Income			
Royalty income	**33,950,473**	42,192,815	33,610,222
Interest income	**65,997**	64,270	11,822
	34,016,470	42,257,085	33,622,044
Expenses			
Amortization of royalty investments (Note 4)	**13,174,658**	12,104,291	9,412,405
Performance fees (Note 5)	**6,666,174**	—	—
Management fees (Note 5)	**—**	—	30,317
Operating expenses (Note 8)	**60,975**	39,439	53,280
	19,901,807	12,143,730	9,496,002
Net income and comprehensive income	**14,114,663**	30,113,355	24,126,042

The accompanying notes are an integral part of these carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

CARVE-OUT STATEMENT OF FINANCIAL POSITION

(Expressed in U.S. dollars)

	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
	$	$	$	$
Assets				
Current assets				
Royalties receivable	**3,326,450**	12,767,728	10,441,310	7,831,592
Accounts receivable	**5,956**	1,947	11,822	—
Prepaid expenses and other assets	**9,331**	8,001	7,988	655
Total current assets	**3,341,737**	12,777,676	10,461,120	7,832,247
Non-current assets				
Royalty investments, at net book value (Note 4)	**3,068,670**	16,243,328	28,347,619	37,760,024
Total non-current assets	**3,068,670**	16,243,328	28,347,619	37,760,024
Total Assets	**6,410,407**	29,021,004	38,808,739	45,592,271
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**36,215**	16,234	70,427	26,289
Due to RMF 2 Co-Investment, GP, Ltd.	**7,226**	8,104	8,150	71,841
Total current liabilities	**43,441**	24,338	78,577	98,130
Total Liabilities	**43,441**	24,338	78,577	98,130
Net Parent Investment	**6,366,966**	28,996,666	38,730,162	45,494,141
Total Liabilities and Net Parent Investment	**6,410,407**	29,021,004	38,808,739	45,592,271

The accompanying notes are an integral part of these carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

CARVE-OUT STATEMENT OF CHANGES IN NET PARENT INVESTMENT

For the years ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	Total
	$
Balance, January 1, 2017	**45,494,141**
Net income for the year	24,126,042
Adjustments to net parent investment	(30,890,021)
Balance, December 31, 2017	**38,730,162**
Net income for the year	30,113,355
Adjustments to net parent investment	(39,846,851)
Balance, December 31, 2018	**28,996,666**
Net income for the year	14,114,663
Adjustments to net parent investment	(36,744,363)
Balance, December 31, 2019	**6,366,966**

The accompanying notes are an integral part of these carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

CARVE-OUT STATEMENT OF CASH FLOWS

Year ended December 31, 2019, 2018 and 2017

(Expressed in U.S. dollars)

	2019	2018	2017
	$	$	$
Operating activities			
Net income	**14,114,663**	30,113,355	24,126,042
Adjusted for following			
Amortization of royalty investments	**13,174,658**	12,104,291	9,412,405
Interest income	**(65,997)**	(64,270)	(11,822)
Interest received	**61,988**	74,145	—
Decrease (increase) in royalties receivable	**9,441,278**	(2,326,418)	(2,609,718)
Decrease (increase) in prepaid and other assets	**(1,330)**	(13)	(7,333)
Increase (decrease) in accounts payable and accrued liabilities	**19,981**	(54,193)	(17,964)
Decrease in due to RMF 2 Co-Investment, GP, Ltd	**(878)**	(46)	(1,589)
	36,744,363	39,846,851	30,890,021
Financing activities			
Decrease in net parent investment	**(36,744,363)**	(39,846,851)	(30,890,021)
	(36,744,363)	(39,846,851)	(30,890,021)
Net change in cash	—	—	—
Cash, beginning of year	—	—	—
Cash, end of year	—	—	—

The accompanying notes are an integral part of these carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

NOTES TO CARVE-OUT FINANCIAL STATEMENTS

For the years ended December 31, 2019, 2018 and 2017
(Expressed in U.S. dollars)

1. General Information

These carve-out financial statements represent RMF 2 Co-Investment Fund, LP's (the "Partnership") holdings in certain royalty investments as at December 31, 2019, 2018 and 2017 as if they had been separately held by a stand-alone entity, RMF 2 Co-Investment Fund Portfolio (the "RMF 2 Portfolio").

The RMF 2 Portfolio comprises ownership of the royalty investments defined in the Partnership's financial statements as Portfolio II which consists of an agreement to receive royalties on sales of the pharmaceuticals Stelara, Simponi and Ilaris. The RMF 2 Portfolio carve-out financial statements include a proportionate share of the assets, liabilities, income and expenses of the Partnership to reflect the stand-alone presentation of Portfolio II and its operations. These carve-out financial statements have been prepared to support the proposed sale by the Partnership of the Portfolio II to an external party which will be wholly owned by a newly formed publicly listed Canadian Trust.

The RMF 2 Portfolio does not represent a legal entity.

2. Basis of preparation

(a) Statement of compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the RMF 2 Portfolio's first financial statements reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS* ("IFRS 1"), has been applied.

IFRS 1 allows first-time adopters certain optional exemptions and mandatory exceptions from the general requirements contained in IFRS. The RMF 2 Portfolio has applied the following required exceptions in its opening IFRS carve-out balance sheet as at January 1, 2017, the RMF 2 Portfolio's transition date:

- Financial assets and liabilities that had been de-recognized before the date of transition to IFRS have not been recognized under IFRS.
- The estimates used by the RMF 2 Portfolio are in accordance with IFRS and reflect conditions at January 1, 2017, the date of transition to IFRS.

(b) Basis of presentation and preparation

These carve-out financial statements present the financial position of the RMF 2 Portfolio as at December 31, 2019, 2018 and 2017 and January 1, 2017 and the financial performance and cash flows of the RMF 2 Portfolio as if the Portfolio II assets had always been held on a stand-alone basis. These financial statements include a proportionate share of the assets, liabilities, royalty income, interest income and expenses of the Partnership and reflect assumptions made by the Partnership to reflect the stand-alone presentation of Portfolio II.

Royalty investments and related royalties receivable, and royalty income relate only to the Portfolio II assets. Prepaid expenses, accounts payable and accrued liabilities, and due to RMF 2 Co-Investment GP, Ltd. have been allocated on a pro-rata basis based on asset value to the RMF 2 Portfolio.

The Partnership's costs and expenses that related to specific royalty assets other than Portfolio II have been excluded from any allocation to the RMF 2 Portfolio and all general costs and expenses, including management fees, have been allocated on a pro rata basis to the RMF 2 Portfolio.

The allocation of expenses does not necessarily reflect an accurate presentation of general and administrative expenses that the RMF 2 Portfolio would have incurred had the RMF 2 Portfolio operated as a standalone entity for the periods presented.

(c) Basis of measurement

These carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 6) that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. These carve-out financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional and presentation currency

These carve-out financial statements are presented in United States dollars ("USD"), which is the RMF 2 Portfolio's and the Partnership's functional currency.

(e) Use of estimates and judgements

The preparation of the carve-out financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the carve-out financial statements and the reported amounts of royalty income, expenses, and other income during the year. Significant estimates relate to royalty income, and provision for expected credit losses of royalties receivable. Actual results could differ from those estimates and such differences could be material to the carve-out financial statements.

2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for each royalty asset, which incorporates an element of uncertainty. The estimated income accrual may differ from the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual income received is known. Other areas requiring management estimates include the determination of the allocation of expenses of the Partnership included in the carve-out statement of income and comprehensive income.

Performance fees (Note 5) are based on the RMF 2 Portfolio's performance, relative to a benchmark based on the realized appreciation on investments. In many cases, these performance fees are highly susceptible to market volatility until they are crystallized, which may be after the end of the reporting period. In determining performance fees, judgments are made with respect to over or under performance, and commercial factors based on historical and expected performance, knowledge of the royalty investment and regular correspondence with royalty payers. Estimated performance fees are accrued for on the basis of expected performance of the RMF 2 Portfolio, which incorporates an element of uncertainty. The estimated performance fees may differ from the actual cash payments in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual payments are known.

RMF 2 Portfolio reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Partnership to use a valuation technique to determine if impairment exists. RMF 2 Portfolio 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

As the RMF 2 Portfolio's net parent investment is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the carve-out financial statements.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these carve-out financial statements. The accounting policies have been applied consistently by the RMF 2 Portfolio. The carve-out financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies described below:

(a) Royalties receivable

Royalties receivable are recognized initially at fair value and are subsequently measured at amortized cost.

At each reporting date, the RMF 2 Portfolio measures loss allowance on royalty receivables at an amount equal to the lifetime expected credit loss given the term of the receivables is 12 months or less. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance might be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit-impaired.

(b) Royalty income

The RMF 2 Portfolio records the amount of royalty payments received or receivable as royalty income. The RMF 2 Portfolio typically earns royalties as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalties are tied to the subsequent sales by the third party. The third parties, however, report and pay royalties owed for sales in any given quarter after the conclusion of that quarter, and, in some instances, although royalties are reported quarterly, payment is on a semi-annual or annual basis.

The RMF 2 Portfolio estimates and records the royalty income earned for sales by third parties in the period in which such sales occur, based on reasonable estimates of such amounts. When reasonable estimates cannot be made, the RMF 2 Portfolio records income once information to make a reasonable estimate becomes available, which is typically upon receipt of royalties reported by such third parties. In such cases income may be recognized in a period subsequent to when it is earned to the extent that it is probable that a significant reversal of income will not occur.

The RMF 2 Portfolio's income is based on the contractual rights to revenue streams which are based on the related underlying patent and/or exclusivity protection of the pharmaceutical products invested in by the Partnership.

3. Summary of significant accounting policies (continued)

(c) Royalty investments

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

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid.

The RMF 2 Portfolio amortizes royalty investments with a finite useful life on a systematic basis over its expected life. The amortization is determined based on the expected pattern of consumption of the future economic benefits embodied in each royalty investment. The expected life of the asset is based upon the contractual terms of the entitlement and is used to determine the expected end date of the royalty entitlement. Expected useful life is separately considered for each royalty investment and is reviewed at the end of each reporting period.

(d) Impairment of royalty investments

Royalty investments are tested for impairment at each reporting period or when events or changes in circumstances indicate a risk of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs of disposal), for each individual asset. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount.

In assessing value in use, the RMF 2 Portfolio 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. The RMF 2 Portfolio bases its impairment calculation on most recent internally or externally sourced forecasts which are based on the full period of the royalty entitlement.

A previously recognized impairment loss is assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the intangible asset's adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

(e) Foreign currency translation and transactions

Foreign currency transactions are translated at the exchange rate in effect on the transaction date. Monetary assets and liabilities which are denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from translation are included in the RMF 2 Portfolio's earnings in the year in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(f) Income taxes

No income taxes have been provided for by the RMF 2 Portfolio in the accompanying financial statements as the Partnership is considered a partnership for tax purposes that is not subject to income taxes unless otherwise elected. Income from the Fund is included in the tax returns of the partners.

(g) Fair value measurement

The RMF 2 Portfolio reports in accordance with the provisions of IFRS 13, *Fair Value Measurement* ("IFRS 13"). Under IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the RMF 2 Portfolio. Unobservable inputs are inputs that reflect the RMF 2 Portfolio's assumptions as to what market participants would use in pricing the asset or liability and are based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the RMF 2 Portfolio has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(Expressed in U.S. dollars)

3. Summary of significant accounting policies (continued)

(g) Fair value measurement (continued)

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

For further information on financial assets and liabilities that are measured at fair value, see Note 6.

(h) Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. At initial recognition, all financial assets classified as amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVOCI") are measured at fair value. The RMF 2 Portfolio classifies its financial assets in the following categories:

- Financial assets at amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held in a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets within this category are subsequently measured at amortized cost using the effective interest method.

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

- Financial liabilities at amortized cost: A financial liability is measured at amortized cost using the effective interest method if it is not designated as FVTPL. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

4. Royalty investments

Royalty investments held by the RMF 2 Portfolio are as follows:

	2019	2018	2017
	$	$	$
Cost			
At January 1,	55,805,049	55,805,049	55,805,049
Additions	—	—	—
At December 31,	55,805,049	55,805,049	55,805,049
Amortization			
At January 1,	39,561,721	27,457,430	18,045,025
Amortization	13,174,658	12,104,291	9,412,405
At December 31,	52,736,379	39,561,721	27,457,430
Net book value			
At January 1,	16,243,328	28,347,619	37,760,024
At December 31,	3,068,670	16,243,328	28,347,619

Royalty investments represent the investment in Portfolio II which consists of an agreement to receive royalties on the sales of Stelara, Simponi and Ilaris.

5. Related party transactions

The RMF 2 Portfolio is related to the Partnership through common directors. During the year, the RMF 2 Portfolio's expenses paid on its behalf by the Partnership were:

	2019	2018	2017
Expenses paid by the Partnership	**$6,727,149**	$39,439	$83,597

DRI Capital Inc. ("DRI") is a company related to one of the partners of the Partnership and serves as the Investment Manager for the RMF 2 Portfolio. Investment management fees are payable by the Partnership pursuant to an investment management agreement and consist of

(Expressed in U.S. dollars)

5. Related party transactions (continued)

management and performance fees. Management fees are determined based on a specified percentage of capital required to complete the acquisition of the royalty investments in the RMF 2 Portfolio and are payable quarterly in arrears. Performance fees are payable once a preferred return of 10% has been returned. Management fees and performance fees paid and payable by the Partnership have been allocated to the RMF 2 Portfolio on a pro-rata basis.

Transactions and balances with DRI not disclosed elsewhere in these financial statements are as follows:

(a) During the year ended December 31, 2019, the RMF 2 Portfolio was charged management fees by DRI in the amount of $nil (2018 – $nil, 2017 – $30,317) and performance fees in the amount of $6,666,174 (2018 – $nil, 2017 – $nil).

(b) Included in accounts payable at December 31, 2019 is $8,517 (2018 – $6,077, 2017 – $11,638) payable to DRI for reimbursement of third party costs incurred.

6. Fair value

Financial instruments include royalties receivable, accounts receivable, accounts payable and accrued liabilities and due to RMF 2 Co-Investment, GP, Ltd. The carrying value of royalties receivable, accounts receivable, accounts payable and accrued liabilities and due to RMF 2 Co-Investment, GP, Ltd. represents fair value due to the immediate or short-term duration of these items.

7. Financial instruments risk management

The RMF 2 Portfolio is exposed to credit risks related to its financial instruments.

Credit risk arises from the possibility that the RMF 2 Portfolio's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The RMF 2 Portfolio's royalties receivable are concentrated in the pharmaceutical and health sciences industry. The RMF 2 Portfolio monitors its exposure to its counterparties on a regular basis. The RMF 2 Portfolio receives royalty income from one counterparty.

8. Operating expenses

	2019	**2018**	**2017**
	$	**$**	**$**
Consulting	**23,551**	513	5,958
Legal	**—**	—	5,463
Audit	**8,010**	8,269	8,892
Administrative	**29,414**	30,657	32,967
Total operating expenses	**60,975**	39,439	53,280

9. Capital Management

The RMF 2 Portfolio's objectives for managing capital are:

- To invest capital in royalty investments meeting the RMF 2 Portfolio's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in royalty investments with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks, when necessary.
- To maintain sufficient liquidity to meet the expenses of the RMF 2 Portfolio.
- To provide investors with a steady source of residual cash flows from royalty investments.

10. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the RMF 2 Portfolio has concluded that it operates as one segment primarily focused on acquiring royalty investments.

11. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these carve-out financial statements were available for issuance. The RMF 2 Portfolio did not identify any subsequent events that required adjustments to, or disclosures in these carve-out financial statements.

Interim condensed carve-out financial statements of

RMF 2 Co-Investment Fund Portfolio

Three and nine months ended September 30, 2020 and 2019

(Unaudited)

RMF 2 CO-INVESTMENT FUND PORTFOLIO

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RMF 2 CO-INVESTMENT FUND PORTFOLIO

INTERIM CONDENSED CARVE-OUT STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Income				
Royalty income	**2,212,505**	11,033,530	**4,480,213**	27,809,365
Interest income	**47**	16,856	**5,467**	51,077
	2,212,552	11,050,386	**4,485,680**	27,860,442
Expenses				
Amortization of royalty investments (Note 4)	**312,562**	3,492,111	**1,754,693**	9,908,028
Performance fees (Note 5)	**143,451**	1,150,454	**591,502**	5,591,714
Operating expenses (Note 8)	**21,229**	10,983	**56,453**	32,502
	477,242	4,653,548	**2,402,648**	15,532,244
Net income and comprehensive income	**1,735,310**	6,396,838	**2,083,032**	12,328,198

The accompanying notes are an integral part of the interim condensed carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

INTERIM CONDENSED CARVE-OUT STATEMENT OF FINANCIAL POSITION

As at September 30, 2020 and December 31, 2019

(Unaudited, Expressed in U.S. dollars)

	September 30, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash	**29,872**	—
Royalties receivable (Note 7)	**1,600,955**	3,326,450
Accounts receivable	**1,668**	5,956
Prepaid expenses and other assets	**3,872**	9,331
Total current assets	**1,636,367**	3,341,737
Non-current assets		
Royalty investments, at net book value (Note 4)	**1,313,977**	3,068,670
Total non-current assets	**1,313,977**	3,068,670
Total Assets	**2,950,344**	6,410,407
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	**33,406**	36,215
Due to RMF 2 Co-Investment, GP, Ltd.	**6,155**	7,226
Total current liabilities	**39,561**	43,441
Total Liabilities	**39,561**	43,441
Net Parent Investment	**2,910,783**	6,366,966
Total Liabilities and Net Parent Investment	**2,950,344**	6,410,407

The accompanying notes are an integral part of the interim condensed carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

INTERIM CONDENSED CARVE-OUT STATEMENT OF CHANGES IN NET PARENT INVESTMENT

For the nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in U.S. dollars)

	Total
	$
Balance, January 1, 2019	**28,996,666**
Net income for the period	12,328,198
Adjustments to net parent investment	(27,061,040)
Balance, September 30, 2019	**14,263,824**
Balance, January 1, 2020	**6,366,966**
Net income for the period	2,083,032
Adjustments to net parent investment	(5,539,215)
Balance, September 30, 2020	**2,910,783**

The accompanying notes are an integral part of the interim condensed carve-out financial statements.

RMF 2 CO-INVESTMENT FUND PORTFOLIO

INTERIM CONDENSED CARVE-OUT STATEMENT OF CASH FLOWS

For nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in U.S. dollars)

	September 30, 2020	September 30, 2019
	$	$
Operating activities		
Net income	**2,083,032**	12,328,198
Adjusted for following		
Amortization of royalty investments	**1,754,693**	9,908,028
Interest income	**(5,467)**	(51,077)
Interest received	**11,405**	48,168
Decrease in royalties receivable	**1,725,495**	4,823,488
Increase in accounts receivable	**(1,650)**	(960)
Decrease in prepaid and other assets	**5,459**	5,331
Decrease in accounts payable and accrued liabilities	**(2,809)**	(949)
(Decrease) increase in due to RMF 2 Co-Investment, GP, Ltd	**(1,071)**	813
	5,569,087	27,061,040
Financing activities		
Decrease in net parent investment	**(5,539,215)**	(27,061,040)
	(5,539,215)	(27,061,040)
Net change in cash	**29,872**	—
Cash, beginning of period	**—**	—
Cash, end of period	**29,872**	—

The accompanying notes are an integral part of the interim condensed carve-out financial statements.

1. General Information

These interim condensed carve-out financial statements represent RMF 2 Co-Investment Fund, LP's (the "Partnership") holdings in certain royalty investments as at September 30, 2020 and December 31, 2019 as if they had been separately held by a stand-alone entity, RMF 2 Co-Investment Fund Portfolio (the "RMF 2 Portfolio").

The RMF 2 Portfolio comprises ownership of the royalty investments defined in the Partnership's financial statements as Portfolio II which consists of an agreement to receive royalties on sales of the pharmaceuticals Stelara, Simponi and Ilaris. The RMF 2 Portfolio interim condensed carve-out financial statements include a proportionate share of the assets, liabilities, income and expenses of the Partnership to reflect the stand-alone presentation of Portfolio II and its operations. These interim condensed carve-out financial statements have been prepared to support the proposed sale by the Partnership of Portfolio II to an external party which will be wholly-owned by a newly formed publicly listed Canadian Trust.

The RMF 2 Portfolio does not represent a legal entity.

2. Basis of preparation

(a) Statement of compliance

The interim condensed carve-out financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and do not include all the information and disclosures required in the full set of annual carve-out financial statements, and should be read in conjunction with the RMF 2 Portfolio's carve-out financial statements for the year ended December 31, 2019.

(b) Basis of presentation and preparation

These interim condensed carve-out financial statements present the financial position of the RMF 2 Portfolio as at September 30, 2020, and December 31, 2019, and the financial performance and cash flows of the RMF 2 Portfolio as if the Portfolio II assets for the nine months ended September 30, 2020 and 2019 had always been held on a stand-alone basis. These financial statements include a proportionate share of the assets, liabilities, income and expenses of the Partnership and reflect assumptions made by the Partnership to reflect the stand-alone presentation of Portfolio II.

Royalty investments and related royalties receivable, and royalty income relate only to the Portfolio II assets. Cash, accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities, and due to RMF 2 Co-Investment, GP, Ltd. have been allocated on a pro-rata basis based on asset value to the RMF 2 Portfolio.

The Partnership's costs and expenses that related to specific royalty assets other than Portfolio II have been excluded from any allocation to the RMF 2 Portfolio and all general costs and expenses, including management fees, have been allocated on a pro rata basis to the RMF 2 Portfolio.

The allocation of expenses does not necessarily reflect an accurate presentation of general and administrative expenses that the RMF 2 Portfolio would have incurred had RMF 2 Portfolio operated as a standalone entity for the periods presented.

(c) Basis of measurement

These interim condensed carve-out financial statements have been prepared on the historical cost basis, except for certain financial instruments (Note 6) that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. These interim condensed carve-out financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional and presentation currency

These interim condensed carve-out financial statements are presented in United States dollars ("USD"), which is the RMF 2 Portfolio's and the Partnership's functional currency.

(e) Use of estimates and judgements

The preparation of the interim condensed carve-out financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed carve-out financial statements and the reported amounts of royalty income, expenses, and interest income during the year. Significant estimates relate to royalty income and provision for expected credit losses of royalties receivable. Actual results could differ from those estimates and such differences could be material to the interim condensed carve-out financial statements.

In determining royalty income earned in a period, 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 investment and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of amounts receivable for each royalty asset, which incorporates an element of uncertainty. The estimated income accrual may differ from the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual income received is known. Other areas requiring management estimates include the determination of the allocation of expenses of the Partnership included in the interim condensed carve-out statement of income and comprehensive income.

(Unaudited, Expressed in U.S. dollars)

2. Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

Performance fees (Note 5) are based on the RMF 2 Portfolio's performance, relative to a benchmark based on the realized appreciation on investments. In many cases, these performance fees are highly susceptible to market volatility until they are crystallized, which may be after the end of the reporting period. In determining performance fees, judgments are made related to over or under performance, and commercial factors based on historical and expected performance, knowledge of the royalty investment and regular correspondence with royalty payers. Estimated performance fees are accrued for on the basis of expected performance of the RMF 2 Portfolio, which incorporates an element of uncertainty. The estimated performance fees may differ from the actual cash payments in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual payments are known.

The RMF 2 Portfolio reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Partnership to use a valuation technique to determine if impairment exists. The RMF 2 Portfolio 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

As the RMF 2 Portfolio's net parent investment is not unitized, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 "Earnings per Share" ("IAS 33") to disclose earnings per share has not been complied with in the interim condensed carve-out financial statements.

3. Summary of significant accounting policies

There have been no material changes to the RMF 2 Portfolio's significant accounting policies during the three and nine months ended September 30, 2020, as compared to the significant accounting policies described in the RMF 2 Portfolio's annual carve-out financial statements for the year ended December 31, 2019.

4. Royalty investments

Royalty investments held by the RMF 2 Portfolio are as follows:

	$
Cost	
At January 1, 2020	55,805,049
Additions	—
At September 30, 2020	55,805,049
Amortization	
At January 1, 2020	52,736,379
Amortization	1,754,693
At September 30, 2020	54,491,072
Net book value	
At January 1, 2020	3,068,670
At September 30, 2020	1,313,977

Royalty investments represent the investment in Portfolio II which consists of an agreement to receive royalties on the sales of Stelara, Simponi and Ilaris.

5. Related party transactions

The RMF 2 Portfolio is related to the Partnership through common directors. During the three and nine months ended September 30, 2020 and 2019, the RMF 2 Portfolio's expenses paid on its behalf by the Partnership were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Expenses paid by Partnership	**164,680**	1,161,437	**647,955**	5,624,216

(Unaudited, Expressed in U.S. dollars)

5. Related party transactions (continued)

DRI Capital Inc. ("DRI") is a company related to one of the partners of the Partnership and serves as the Investment Manager for the RMF 2 Portfolio. Investment management fees are payable by the Partnership pursuant to an investment management agreement and consist of management and performance fees. Management fees are determined based on a specified percentage of capital required to complete the acquisition of the royalty investments in the RMF 2 Portfolio and are payable quarterly in arrears. Performance fees are payable once a preferred return of 10% has been returned. Management fees and performance fees paid and payable by the Partnership have been allocated to the RMF 2 Portfolio on a pro-rata basis.

Transactions and balances with DRI not disclosed elsewhere in these financial statements are as follows:

(a) During the three and nine months ended September 30, 2020, the RMF 2 Portfolio was charged performance fees in the amount of $143,451 and $591,502 (2019 - $1,150,454 and $5,591,714), respectively.

(b) Included in accounts payable at September 30, 2020 is $18,968 (December 31, 2019 - $8,517) payable to DRI for reimbursement of third party costs incurred.

6. Fair value

Financial instruments include cash, royalties receivable, accounts receivable, accounts payable and accrued liabilities and due to RMF 2 Co-Investment, GP, Ltd. The carrying value of royalties receivable, accounts receivable accounts payable and accrued liabilities and due to RMF 2 Co-Investment, GP, Ltd. represents fair value due to the immediate or short – term duration of these items.

7. Financial instruments risk management

The RMF 2 Portfolio is exposed to credit risk related to its financial instruments.

Credit risk arises from the possibility that the RMF 2 Portfolio's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The RMF 2 Portfolio's royalties receivable are concentrated in the pharmaceutical and health sciences industry. The RMF 2 Portfolio monitors its exposure to its counterparties on a regular basis. The RMF 2 Portfolio receives royalty income from one counterparty.

8. Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Administrative	**7,128**	7,597	**36,601**	22,736
Consulting	**12,223**	1,338	**14,503**	3,805
Audit	**1,878**	2,048	**5,349**	5,961
Total operating expenses	**21,229**	10,983	**56,453**	32,502

9. Capital Management

The RMF 2 Portfolio's objectives for managing capital are:

- To invest capital in royalty investments meeting the RMF 2 Portfolio's investment criteria which include assets that are medically necessary, best–in–class and marketed by leading biotechnology and pharmaceutical companies.
- To achieve consistent returns while investing in royalty investments with cash flows protected by strong, long term patents and regulatory exclusivity; and that are diversified across therapeutic area and by marketer, and by applying hedging techniques to minimize risks, when necessary.
- To maintain sufficient liquidity to meet the expenses of the RMF 2 Portfolio.
- To provide investors with a steady source of residual cash flows from royalty investments.

10. Segmented information

The Chief Operating Decision Maker (determined to be the Chief Executive Officer) reviews financial information presented to allocate resources, evaluate financial performance, and make overall operating decisions. As such, the RMF 2 Portfolio has concluded that it operates as one segment primarily focused on acquiring royalty investments.

11. Subsequent events

Subsequent events have been evaluated through February 10, 2021, which is the date these interim condensed carve-out financial statements were available for issuance. The RMF 2 Portfolio did not identify any subsequent events that required adjustments to, or disclosures in these financial statements.

RMF 2 PORTFOLIO
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of RMF 2 Co-Investment Fund Portfolio (the "**RMF 2 Portfolio**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the audited carve-out financial statements of the RMF 2 Portfolio for the years ended December 31, 2019, 2018 and 2017, the unaudited interim condensed carve-out financial statements of the RMF 2 Portfolio for the three and nine month periods ended September 30, 2020 and 2019 and the accompanying notes to such financial statements, in each case included elsewhere in this prospectus. The audited carve-out financial statements of the RMF 2 Portfolio have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The unaudited interim condensed carve-out financial statements of the RMF 2 Portfolio have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"), of the International Accounting Standards Board ("**IASB**").

DRI Healthcare Trust was established as an unincorporated open-ended trust on October 21, 2020. It has a limited history and has carried on limited activities. Going forward, DRI Healthcare Trust will acquire indirect ownership of the royalty investments owned by the RMF 2 Portfolio.

All amounts in this MD&A are expressed in U.S. dollars, except where otherwise indicated. In this MD&A only, all references to the "**Company**", "**we**", "**us**" or "**our**" refer to the RMF 2 Portfolio.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. This discussion may contain forward-looking information that involves risks and uncertainties. Such forward-looking information is based upon current expectations. The actual results of the RMF 2 Portfolio may differ materially from those anticipated in such forward-looking information as a result of various factors, including those set forth under "Risk Factors" or in other parts of this prospectus. See "Forward-Looking Information".

Business Overview

The RMF 2 Portfolio represents the holdings of RMF 2 Co-Investments Fund, LP (the "**Partnership**") in certain royalty investments as if they had been separately held by a wholly-owned subsidiary. The RMF 2 Portfolio comprises ownership of the royalty investments defined by the Partnership as "Portfolio II", which consists of an agreement to receive certain royalties related to the worldwide sales of Ilaris, Simponi and Stelara. The RMF 2 Portfolio carve-out financial statements represent a proportionate share of the assets, liabilities, income and expenses of the Partnership to reflect the stand-alone presentation of Portfolio II and its operations. These carve out financial statements have been prepared to support the proposed indirect sale of these three assets to DRI Healthcare Trust. DRI Capital Inc. ("**DRI Capital**"), a corporation governed by the *Canada Business Corporations Act*, is the manager for the RMF 2 Portfolio under an agreement with the Partnership.

Our principal business activity is to invest in royalty assets relating to pharmaceutical drugs, devices and delivery technologies in order to participate in the royalties generated by these assets. The Partnership acquires, directly or indirectly, the rights to royalty assets from inventors, universities, research institutions and hospitals, biotechnology and pharmaceutical companies, other entities operating in the life sciences industry and entities selling royalties in the secondary market.

We classify our portfolio of royalty investments based on the expected expiry of the royalty in the underlying product's primary royalty-bearing geography. Our portfolio includes Mature Products, for which royalty entitlements in primary geographies are expected to expire before December 31, 2021. Our portfolio does not include Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021. There are no Legacy Products (products for which royalty entitlements expired prior to September 30, 2020) reflected in our financial statements or this MD&A.

As noted above, the RMF 2 Portfolio comprises the right to receive certain royalties related to the worldwide sales of Ilaris, Simponi and Stelara, which we classify as Mature Products.

- **Ilaris (canakinumab)** is an interleukin-1β blocker that was initially indicated for Cryopyrin-Associated Periodic Syndromes. Subsequent to our acquisition of the royalties in 2012, Ilaris was approved for new indications including Systemic Juvenile Idiopathic Arthritis in 2013, Tumor Necrosis Factor Receptor Associated Periodic Syndrome, Hyperimmunoglobulin D Syndrome / Mevalonate Kinase Deficiency and Familial Mediterranean Fever in 2016 and active Still's disease in 2020. Our royalty entitlements are payable on the worldwide sales of Ilaris, are payable on a one-quarter lag basis and are expected to expire in the first quarter of 2025.
- **Simponi (golimumab)** is a tumor necrosis factor blocker that is indicated for the treatment of adult patients with moderate to severe active rheumatoid arthritis, psoriatic arthritis and ankylosing spondylitis and ulcerative colitis. Simponi is marketed in the United States by Johnson & Johnson, co-marketed in Europe by Merck and is co-promoted in Japan by Mitsubishi Tanabe. Our royalty entitlements are payable on the worldwide sales of Simponi, are payable on a one-quarter lag basis and are expected to expire in the first quarter of 2025.
- **Stelara (ustekinumab)** is a human interleukin-12 and -23 antagonist that was initially indicated for the treatment of adult patients with moderate to severe plaque psoriasis in 2009. Subsequent to our acquisition of the royalties in 2012, Stelara has received approvals for several new indications including psoriatic arthritis in 2013, moderately to severely active Crohn's disease in 2016, moderately to severely active ulcerative colitis in 2019 and for pediatric patients with moderate to severe plaque psoriasis in 2020. Stelara is marketed worldwide by Johnson & Johnson and is co-promoted in Japan by Mitsubishi Tanabe. Our royalty entitlements are payable on the worldwide sales of Stelara, are payable on a one-quarter lag basis and are expected to expire in the second quarter of 2024.

Factors Impacting Our Performance

Our performance and future success depend on a number of key factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of this prospectus.

Performance of the products underlying our royalties. 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, such as regulatory approvals that permit the sale of a product in the relevant market, whether a product is recommended for use by health agencies or medical professional associations and the extension of a product for additional indications. Some of these factors are discussed below under "Key developments relating to our portfolio from 2017-2020".

The terms and conditions of our royalties. Our royalty agreements set out the terms and conditions on which we are paid royalties. Royalties are typically finite life assets that expire based on either patent expiry dates (including patent extensions) or on structural elements, such as caps that limit the amount of royalties that can be collected after product sales or royalty receipts reach a pre-determined level. Royalty acquisition structures can be tailored to the requirements of the royalty vendor and to provide the purchaser various protections. These structures can include payments to vendors at specified product sales thresholds or upon certain product events, such as the approval of the product for a new indication or other key attribute or launch of the product in a new geography. When our royalties on a product expire, we will no longer receive royalty payments from sales of the product.

Cost structure. We strive to operate as efficiently as possible to minimize costs that reduce our ability to reinvest cash generated by our royalties and our ability to make distributions. In addition to our operating expenses, we pay management fees to our manager, servicer fees related to the servicing of our senior secured notes as well as interest and finance fees reflecting amortized deferred financing charges and interest paid on our senior secured notes.

Key developments relating to our portfolio from 2017-2020

The key developments impacting our cash royalty receipts and royalty income are discussed below:

- **Ilaris:** Ilaris was approved for the treatment of active Still's disease in 2020. Ilaris is currently in Phase III trials for the treatment of non-small cell lung cancer. The readouts and filings from this trial are expected in

2021. In addition, Ilaris is currently in Phase III trials for the treatment to prevent cytokine release syndrome in COVID-19 patients with pneumonia. The expected completion of the trial is the fourth quarter of 2020.

- **Stelara:** Stelara was approved for the treatment of severely active Crohn's disease in 2016, moderately to severely active ulcerative colitis in 2019 and for pediatric patients with moderate to severe plaque psoriasis in 2020.
- **Simponi:** There were no major product developments impacting our entitlements in respect of Simponi during the period 2017 to 2020.
- **Certain geographic expiries:** In 2019, our entitlement to royalties expired in certain geographies for Ilaris, Simponi and Stelara.

Understanding Our Financial Reporting

The RMF 2 Portfolio's financial reporting is in accordance IFRS. The RMF 2 Portfolio adopted IFRS effective January 1, 2017. The carve-out financial statements included in this prospectus are the first financial statements the RMF 2 Portfolio has reported under IFRS. Accordingly, IFRS 1, *First-time Adoption of IFRS*, has been applied.

In accordance with IFRS, the royalty investments the RMF 2 Portfolio acquires are classified as intangible assets on the carve-out statement of financial position. Royalty investments are held at cost, which initially is the fair value of the consideration paid, and are amortized over their useful lives and shown net of any impairment. The royalty investments are tested for impairment at each reporting period or when an indicator of impairment is identified by management.

The preparation of our financial statements in this manner requires the use of estimates, judgments and assumptions that affect both our reported assets and liabilities and our income and expenses. A key area of judgment and estimates applied by management is associated with the measurement of income derived from our royalty investments classified as intangible assets, including management's judgment in forecasting the expected future cash flows of the underlying royalties and the expected duration of the royalty investments. In any given reporting period, when an indicator of impairment is identified by management, this may result in the identification that the expected future cash flows associated with a royalty investment are below the carrying value of the royalty investment and result in the recognition of an impairment of royalty investments which appears as an expense in our income statement. Similarly, in subsequent periods, an assessment of previously recognized impairment losses may determine that an increase in the expected future cash flows associated with a royalty investment should result in the recognition of a reversal of impairment of royalty investments. Therefore, management cautions investors against looking to royalty income and the associated impairment or reversal of impairment of royalty investments as a measure of our near-term financial performance or as a source for predicting future income or growth trends.

Our operations have historically been financed primarily with cash flows generated by our royalties. Royalty income is recorded on an accrual basis when earned by the RMF 2 Portfolio in accordance with our contractual rights, rather than when actual cash payments in respect of our royalties are received. The lag between when we record royalty income and when we receive the corresponding cash payments is typically three months. Given the importance of cash flows to our business, we use "cash royalty receipts" as a key measure of our operating performance. Cash royalty receipts refers to the cash received during a period pursuant to the terms and conditions of a particular royalty asset. We refer to cash royalty receipts on a product-by-product basis. The RMF 2 Portfolio also reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA. We believe these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance of the RMF 2 Portfolio. We also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance. These measures do not have any standardized definitions prescribed under IFRS and are, therefore, not comparable to similar measures presented by other reporting issuers.

We use Total Cash Royalty Receipts to refer 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 when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a

useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of the RMF 2 Portfolio and the performance of its business.

See the "Non-IFRS Financial Results" section of this MD&A for definitions and reconciliations of these non-IFRS measures to the nearest comparable IFRS measures.

Understanding Our Results of Operations

Immediately following this offering, DRI Healthcare Trust will be a holding entity that will indirectly own the royalty investments owned by the RMF 2 Portfolio, which will be included in the consolidated financial statements of DRI Healthcare Trust. The major categories of information presented in the historical carve-out statement of income and comprehensive income of the RMF 2 Portfolio are discussed below.

Royalty income

Royalty income is comprised of income from our royalty investments, which represent the contractual right to receive, directly or indirectly, a royalty payment, license fee, or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The RMF 2 Portfolio 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 of drug products, 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 by the RMF 2 Portfolio in accordance with our contractual rights. Management is required to make estimates of royalty income earned based on estimates for financial reporting purposes which are updated once royalty receipts are reported and paid by our counterparties, typically one or more quarters after they are earned.

Interest income

Interest income consists of interest earned on our cash and cash equivalents which represent short-term highly liquid investments of high credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less, which are carried at fair value.

Amortization of royalty investments

Royalty investments are recognized as intangible assets measured initially at the fair value of the consideration paid. Royalty investments are subsequently amortized over the useful life of the asset. This amortization is shown in the statement of income and comprehensive income as 'Amortization of royalty investments'.

Performance fees and management fees

DRI Capital serves as the manager for the RMF 2 Portfolio. Management fees are payable by the Partnership pursuant to a management agreement and consist of management and performance fees. Management fees are determined based on a specified percentage of capital required to complete the acquisition of the royalty assets in the RMF 2 Portfolio and are payable quarterly in arrears. Performance fees are payable once a preferred return of 10% has been returned. Management fees and performance fees paid and payable by the Partnership were allocated to the RMF 2 Portfolio on a pro-rata basis.

Operating expenses

Operating expenses include consulting, legal, audit, and administrative expenses required to operate our business.

Results of Operations

The comparison of our historical results of operations for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 are as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Income							
Royalty income	$2,212,505	$11,033,530	$4,480,213	$27,809,365	$33,950,473	$42,192,815	$33,610,222
Interest income	47	16,856	5,467	51,077	65,997	64,270	11,822
	2,212,552	11,050,386	4,485,680	27,860,442	34,016,470	42,257,085	33,622,044
Expenses:							
Amortization of royalty investments	312,562	3,492,111	1,754,693	9,908,028	13,174,658	12,104,291	9,412,405
Performance fees	143,451	1,150,454	591,502	5,591,714	6,666,174	—	—
Management fees	—	—	—	—	—	—	30,317
Operating expenses	21,229	10,983	56,453	32,502	60,975	39,439	53,280
	477,242	4,653,548	2,402,648	15,532,244	19,901,807	12,143,730	9,496,002
Net income and comprehensive income	**$1,735,310**	**$ 6,396,838**	**$2,083,032**	**$12,328,198**	**$14,114,663**	**$30,113,355**	**$24,126,042**

Royalty income

Royalty income by product for three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018, and 2017 is as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Mature Products							
Ilaris	$ 132,284	$ 498,891	$ 415,915	$ 1,231,883	$ 1,842,336	$ 1,521,675	$ 1,103,278
Simponi	1,591,679	2,504,779	2,971,615	5,939,656	7,960,271	12,449,943	10,786,876
Stelara	488,542	8,029,860	1,092,683	20,637,826	24,147,866	28,221,197	21,720,068
Total royalty income	**$2,212,505**	**$11,033,530**	**$4,480,213**	**$27,809,365**	**$33,950,473**	**$42,192,815**	**$33,610,222**

Three and nine months ended September 30, 2020 and 2019

Royalty income decreased by $8,821,025, or 79.9%, in the three months ended September 30, 2020 and by $23,329,152, or 83.9%, in the nine months ended September 30, 2020 compared to the prior period, primarily due to the expiry in 2019 of our entitlement to royalties in certain geographies for Ilaris, Simponi and Stelara.

Years ended December 31, 2019 and 2018

Royalty income decreased $8,242,342, or 19.5%, in 2019 compared to 2018 due to lower royalties related to geographic expiries, as noted above.

Years ended December 31, 2018 and 2017

Royalty income increased by $8,582,593, or 25.5%, in 2018 compared to 2017 due to strong performance from Stelara which was approved to treat Crohn's disease in 2016. In addition, Simponi continued to perform well as a treatment for ulcerative colitis.

Amortization of royalty investments

Three and nine months ended September 30, 2020 and 2019

Amortization expense decreased by $3,179,549, or 91.0% in the three months ended September 30, 2020 and by $8,153,335, or 82.3%, in the nine months ended September 30, 2020 compared to the prior year period primarily due to reduced amortization as entitlements in certain geographies expired for Ilaris, Simponi and Stelara in 2019.

Years ended December 31, 2019 and 2018

Amortization expense increased by $1,070,367, or 8.8%, in 2019 compared to 2018, primarily due to continued strong usage of Stelara and Simponi as they both continued to perform well in the market.

Years ended December 31, 2018 and 2017

Amortization expense increased by $2,691,886, or 28.6%, in 2018 compared to 2017, primarily, as Stelara continued to exhibit strong performance due to its approval to treat Crohn's disease in 2016 and strong usage of Simponi driving strong sales.

Performance fees

Three and nine months ended September 30, 2020 and 2019

Performance fees decreased by $1,007,003, or 87.5%, in the three months ended September 30, 2020 compared to the prior year period, as the performance fee of $143,451 related only to payment of fees on current performance, which was lower than the prior year due to royalties expiring in certain geographies in 2019.

Performance fees decreased by $5,000,212, or 89.4%, in the nine months ended September 30, 2020 compared to the prior year period, primarily due to the performance fee hurdle being achieved in the second quarter of 2019, resulting in a catch-up performance fee being payable to DRI Capital of $4,011,954 in addition to performance fees being earned on performance in the second and third quarters of 2019.

Years ended December 31, 2019, 2018 and 2017

In 2019, we paid performance fees of $6,666,174 as a result of the RMF 2 Portfolio exceeding the target preferred return performance hurdle of 10% in the second quarter of 2019 based on strong performance of Ilaris, Simponi and Stelara, which delivered strong cash royalty receipts since acquisition. As the hurdle rate was achieved, in 2019, a catch-up performance fee from inception was payable to DRI Capital in the second quarter of $4,011,954 in addition to performance fees being earned on performance for the reminder of the year. The RMF 2 Portfolio was not required to pay performance fees in 2018 or 2017.

Operating expenses

The following table outlines the major categories of operating expenses:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Consulting	$12,223	$ 1,338	$14,503	$ 3,805	$23,551	$ 513	$ 5,958
Legal	—	—	—	—	—	—	5,463
Audit	1,878	2,048	5,349	5,961	8,010	8,269	8,892
Administrative	7,128	7,597	36,601	22,736	29,414	30,657	32,967
Total	**$21,229**	**$10,983**	**$56,453**	**$32,502**	**$60,975**	**$39,439**	**$53,280**

Three and nine months ended September 30, 2020 and 2019

Operating expenses increased $10,246, or 93.3%, in the three months ended September 30, 2020 compared to the same period of the prior year, primarily driven by an increase of $10,885 in fees from external consultants, which was offset by lower audit and administrative expenses.

Operating expenses increased $23,951, or 73.7%, in the nine months ended September 30, 2020 compared to the same period of the prior year, primarily due to an increase of $13,865 in administrative expenditures for travel and other expenses related to the governance of the RMF 2 Portfolio and an increase of $10,698 in fees from external consultants.

Years ended December 31, 2019 and 2018

Operating expenses increased by $21,536, or 54.6%, during 2019 compared to 2018, primarily driven by an increase of $23,038 in fees from external consultants.

Years ended December 31, 2018 and 2017

Operating expenses decreased by $13,841, or 26.0%, during 2018 compared to 2017. The decline in 2018 is primarily due to a decrease of $5,463 and $5,445 in legal and consulting fees, respectively, as a result of reduced fees for tax consulting and one-time general legal expenses incurred in 2017.

Non-IFRS Financial Results

RMF 2 Portfolio reports certain non-IFRS financial measures, including Total Cash Royalty Receipts and Adjusted EBITDA.

As noted above, royalty income is recorded on an accrual basis when earned by RMF 2 Portfolio in accordance with our contractual rights. Because of the lag between when we record royalty income and when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows. We believe Adjusted EBITDA is useful in assessing 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 also refer to EBITDA when reconciling net income and comprehensive income to Adjusted EBITDA, but do not use EBITDA as a measure of our performance.

Total Cash Royalty Receipts represents royalty income, plus royalties receivable – beginning of period, less royalties receivable – end of period. Total Cash Royalty Receipts refers to all cash royalty receipts from our portfolio rather than cash royalty receipts in respect of a particular product.

EBITDA represents net income and comprehensive income, adjusted for the following: (i) amortization of royalty investments, and (ii) interest expense and finance fees.

Adjusted EBITDA represents net income and comprehensive income: (i) plus amortization of royalty investments, (ii) plus royalties receivable – beginning of period, and (iii) less royalties receivable – end of period. We believe Adjusted EBITDA is useful in assessing 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 believe that Total Cash Royalty Receipts and Adjusted EBITDA are an indication of the strength of the RMF 2 Portfolio and the performance of its business.

Three and Nine months Ended September 30, 2020 and 2019, and the Years Ended December 31, 2019, 2018, and 2017

The table below includes the cash royalty receipts for the three and nine months ended September 30, 2020 and 2019, and for the years ended December 31, 2019, 2018 and 2017:

	Marketer	Therapeutic area	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019	For the years ended December 31, 2019	For the years ended December 31, 2018	For the years ended December 31, 2017
Mature Products									
Ilaris	Novartis	Autoimmune Disease	$ 170,985	$ 454,241	$ 842,701	$ 1,294,926	$ 1,829,634	$ 1,411,019	$ 992,761
Simponi	Johnson & Johnson Merck Mitsubishi Tanabe	Autoimmune Disease	1,140,325	2,053,922	3,436,809	7,726,188	9,490,603	12,144,936	10,318,012
Stelara	Johnson & Johnson Mitsubishi Tanabe	Autoimmune Disease	329,688	8,993,369	1,926,198	23,611,739	32,071,514	26,310,442	19,689,731
Total Cash Royalty Receipts – Mature Products			**$1,640,998**	**$11,501,532**	**$6,205,708**	**$32,632,853**	**$43,391,751**	**$39,866,397**	**$31,000,504**

Reconciliations of Non-IFRS measures

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019	For the years ended December 31, 2019	For the years ended December 31, 2018	For the years ended December 31, 2017
Royalty income	**$ 2,212,505**	**$11,033,530**	**$ 4,480,213**	**$27,809,365**	**$33,950,473**	**$ 42,192,815**	**$ 33,610,222**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Total Cash Royalty Receipts	**$ 1,640,998**	**$11,501,532**	**$ 6,205,708**	**$32,632,853**	**$43,391,751**	**$ 39,866,397**	**$ 31,000,504**
Net income and comprehensive income	**$ 1,735,310**	**$ 6,396,838**	**$ 2,083,032**	**$12,328,198**	**$14,114,663**	**$ 30,113,355**	**$ 24,126,042**
Amortization of royalty investments	312,562	3,492,111	1,754,693	9,908,028	13,174,658	12,104,291	9,412,405
EBITDA	**$ 2,047,872**	**$ 9,888,949**	**$ 3,837,725**	**$22,236,226**	**$27,289,321**	**$ 42,217,646**	**$ 33,538,447**
Royalties receivable – beginning of period	1,029,448	8,412,242	3,326,450	12,767,728	12,767,728	10,441,310	7,831,592
Royalties receivable – end of period	(1,600,955)	(7,944,240)	(1,600,955)	(7,944,240)	(3,326,450)	(12,767,728)	(10,441,310)
Adjusted EBITDA	**$ 1,476,365**	**$10,356,951**	**$ 5,563,220**	**$27,059,714**	**$36,730,599**	**$ 39,891,228**	**$ 30,928,729**

Adjusted EBITDA

Three and nine months ended September 30, 2020 and 2019

Adjusted EBITDA declined by $8,880,586, or 85.7%, in the three months ended September 30, 2020 compared to the same periods of 2019, respectively, primarily due to reductions in cash royalty receipts due to the expiry in 2019 of our entitlement to royalties in certain geographies for Ilaris, Simponi and Stelara, partially offset by reduced performance fees during the quarter.

Adjusted EBITDA declined by $21,496,494, or 79.4%, in the nine months ended September 30, 2020 compared to the same periods of 2019, respectively, primarily due to reductions in cash royalty receipts due to the expiry in 2019 of our entitlement to royalties in certain geographies for Ilaris, Simponi and Stelara, partially offset by reduced performance fees due to the catch-up performance fees paid in 2019.

Years ended December 31, 2019 and 2018

Adjusted EBITDA declined by $3,160,629, or 7.9%, in 2019 compared to 2018 due to the RMF 2 Portfolio paying a performance fees of $6,666,174 as a result of the RMF 2 Portfolio exceeding the target preferred return performance hurdle of 10% in the second quarter of 2019 based on the strong performance of Stelara, Simponi and Ilaris since acquisition. As the hurdle rate was achieved, in 2019 a catch-up performance fee from inception was payable to DRI

Capital in the second quarter and performance fees become payable for each quarter going forward. The RMF 2 Portfolio did not pay performance fees in 2018 or 2017. In addition, there were lower cash royalties for Simponi as entitlement in certain geographies expired in 2019. This was offset by higher cash royalty receipts for Stelara and Ilaris due to continued strong performance despite the entitlement for Stelara expiring in certain geographies 2019.

Years ended December 31, 2018 and 2017

Adjusted EBITDA increased by $8,962,499, or 29.0%, in 2018 compared to 2017 primarily due to increased cash royalty receipts due to strong performance from Stelara which was approved for the treatment of Crohn's disease in 2016. Simponi also continued to perform well as a treatment for ulcerative colitis. In addition, management fees were no longer payable to DRI Capital in 2018.

Liquidity and Capital Resources

Overview

Our primary source of liquidity is cash provided by operating activities. For the three and nine months ended September 30, 2020, we generated $1,493,218 and $5,569,087, respectively, in cash provided by operating activities. For the years ended December 31, 2019, 2018, and 2017, we generated $36,744,363, $39,846,851, and $30,890,021, respectively, in cash provided by operating activities. We believe that 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 our obligations for the foreseeable future. We have historically operated at a low level of fixed operating costs.

As at September 30, 2020, we have no outstanding debt with third parties. Our ability to satisfy our working capital needs depends on our future operating performance and cash flows, which are in turn are subject to prevailing economic conditions and other risk factors, many of which are beyond our control.

Cash flows

Three and Nine months Ended September 30, 2020 and 2019, and the Years ended December 31, 2019, 2018, and 2017

The following table summarizes our cash flow activities for the three and nine months ended September 30, 2020 and 2019, and for the three years ended December 31, 2019, 2018 and 2017:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Cash provided by (used in):							
Operating activities	$ 1,493,218	$ 10,359,196	$ 5,569,087	$ 27,061,040	$ 36,744,363	$ 39,846,851	$ 30,890,021
Financing activities	($1,491,900)	($10,359,196)	($5,539,215)	($27,061,040)	($36,744,363)	($39,846,851)	($30,890,021)

There were no investing activities as the RMF 2 Portfolio made no new investments during these periods.

Operating activities

Three and nine months ended September 30, 2020 and 2019

Cash provided by operating activities declined by $8,865,978, or 85.6%, in the three months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in cash royalty receipts of $9,860,534, partially offset by reduced performance fees of $1,007,003 due to reduced royalty cash receipts as entitlements in certain geographies ended in 2019.

Cash provided by operating activities declined by $21,491,953 or 79.4%, in the nine months ended September 30, 2020 compared to the same period of the prior year. The primary driver was a decrease in cash royalty receipts of $26,427,145, partially offset by a reduction in performance fees of $5,000,212 when compared to the same period in the prior year.

Years ended December 31, 2019 and 2018

Cash provided by operating activities declined by $3,102,488, or 7.8%, in 2019 compared to 2018. The primary driver was an increase of $6,666,174 in performance fees, partially offset by an increase in cash royalty receipts of $3,525,354.

Years ended December 31, 2018 and 2017

Cash provided by operating activities increased $8,956,830, or 29.0%, in 2018 compared to 2017. The primary driver was an increase in cash royalty receipts of $8,865,893 due to stronger performance of the royalty assets and increase in cash related to interest income and reduced expenses.

Financing activities

Three and nine months ended September 30, 2020 and 2019

Cash used in financing activities declined by $8,867,296, or 85.6%, in the three months ended September 30, 2020 compared to the same period of the prior year due to a decrease in net parent investment as a result of a decrease in distributions driven by lower operating cash flows due primarily to lower cash royalty receipts.

Cash used in financing activities declined by $21,521,825, or 79.5%, in the nine months ended September 30, 2020 compared to the same period of the prior year due to a decrease in net parent investment as a result of a decrease in distributions driven by lower operating cash flows due primarily to lower cash royalty receipts.

Years ended December 31, 2019 and 2018

Cash used in financing activities in 2019 declined by $3,102,488, or 7.8%, in 2019 compared to 2018, primarily due to a decrease in net parent investment due to a reduction in distributions driven by lower operating cash flows as a result of the payment of performance fees which was partially offset by net higher cash royalty receipts.

Years ended December 31, 2018 and 2017

Cash used in financing activities in 2018 increased $8,956,830, or 29.0%, in 2018 compared to 2017, primarily as a result of increased distributions driven by higher operating cash flows based primarily on increased cash royalty receipts.

Sources of Capital

As of September 30, 2020, our cash totaled $29,872. As of December 31, 2019, 2018 and 2017, our cash totaled $nil, $nil and $nil, respectively, as all excess cash was distributed. The Partnership intends to fund any short-term and long-term financial obligations as they mature through cash and cash equivalents and future cash royalty receipts.

Uses of Capital

We use cash royalty receipts to pay for fees and expenses, minimizing the cash outlay from our investors. Any residual cash is distributed.

Decrease in Net Parent Investment

In the nine months ended September 30, 2020 and September 30, 2019, we made adjustments of $5,539,215 and $27,061,040, respectively to net parent investment for distributions. For the years ended December 31, 2019, 2018, and 2017, we made adjustments of $36,744,363, $39,846,851, and $30,890,021, respectively to net parent investment for distributions.

Summary of Carve-out Statement of Financial Position

The following table presents summarized carve-out statements of financial position as at September 30, 2020 and December 31, 2019, 2018, 2017 and January 1, 2017:

	As at September 30, 2020	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Current assets					
Cash	$ 29,872	$ —	$ —	$ —	$ —
Royalties receivable	1,600,955	3,326,450	12,767,728	10,441,310	7,831,592
Accounts receivable	1,668	5,956	1,947	11,822	—
Prepaid expenses and other assets	3,872	9,331	8,001	7,988	655
Non-current assets					
Royalty investments, at net book value	1,313,977	3,068,670	16,243,328	28,347,619	37,760,024
Total assets	**$2,950,344**	**$6,410,407**	**$29,021,004**	**$38,808,739**	**$45,592,271**
Accounts payable and accrued liabilities	$ 33,406	$ 36,215	$ 16,234	$ 70,427	$ 26,289
Due to RMF 2 Co-Investment, GP, Ltd.	6,155	7,226	8,104	8,150	71,841
Total liabilities	**$ 39,561**	**$ 43,441**	**$ 24,338**	**$ 78,577**	**$ 98,130**
Net parent investment	$2,910,783	$6,366,966	$28,996,666	$38,730,162	$45,494,141
Total liabilities and net parent investment	**$2,950,344**	**$6,410,407**	**$29,021,004**	**$38,808,739**	**$45,592,271**

September 30, 2020 compared to December 31, 2019

- Total assets were $2,950,344 as at September 30, 2020, compared to $6,410,407 as at December 31, 2019. The RMF 2 Portfolio's asset base primarily consists of royalty investments. The decrease in the total assets from December 31, 2019 reflects additional amortization on royalty investments and collection of royalties receivable. In addition, royalties receivable at September 30, 2020 have declined as entitlements in certain geographies have ended, reducing royalties earned and receivables.
- Total liabilities as at September 30, 2020 were $39,561, compared to $43,441 as at December 31, 2019. Liabilities are comprised largely of accounts payable and accrued liabilities to be paid directly or by the Partnership.
- Total net parent investment decreased from $6,366,966 as at December 31, 2019 to $2,910,783 as at September 30, 2020, primarily due to distributions of $5,539,215 offset by net income earned of $2,083,032.

December 31, 2019, 2018, and 2017

- Total assets were $6,410,407 as at December 31, 2019, compared to $29,021,004 at December 31, 2018 and $38,808,739 at December 31, 2017. The RMF 2 Portfolio's asset base in the periods primarily consisted of non-current assets such as royalty investments. The decrease in assets from December 31, 2017 reflected additional amortization on royalty investments, as well as changes in royalties receivable.
- Total liabilities at December 31, 2019 were $43,441, compared to $24,338 at December 31, 2018 and $78,577 at December 31, 2017. The decrease in liabilities from 2017 to 2018 was largely due to an increase in accounts payable and accrued liabilities in 2017 driven by the implementation of common reporting standards reporting and the management fee payable at year end. The increase in liabilities from 2018 to 2019 was largely due to fees payable to consultants.
- Total net parent investment at December 31, 2019 was $6,366,966, compared to $28,996,666 in 2018 and $38,730,162 in 2017. The decreases in net parent investment from 2017 to 2019 reflects regular adjustments to net parent investment for distributions of $36,744,363 in 2019, $39,846,851 in 2018, and $30,890,021 in 2017, offset by net income earned of $14,114,663 in 2019, $30,113,355 in 2018, and $24,126,042 in 2017.

Commitments, Contingencies and Guarantees

We do not have any commitments, contingencies or guarantees that would require disclosure or accrual of amounts in the consolidated financial statements.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

Related Party Transactions

The RMF 2 Portfolio is related to the Partnership through common directors. During the three and nine months ended September 30, 2020 and 2019, and for the three years ended December 31, 2019, 2018 and 2017, the RMF 2 Portfolio's expenses paid on its behalf by the Partnership were as follows:

	For the three months ended September 30,		For the nine months ended September 30,		For the years ended December 31,		
	2020	2019	2020	2019	2019	2018	2017
Expenses paid by the Partnership	$164,680	$1,161,437	$647,955	$5,624,216	$6,727,149	$39,439	$83,597

DRI Capital serves as the manager for the RMF 2 Portfolio. Management fees are payable by the Partnership pursuant to a management agreement and consist of management and performance fees. Management fees are determined based on a specified percentage of capital required to complete the acquisition of the royalty investments in the RMF 2 Portfolio and are payable quarterly in arrears. Performance fees are payable once a preferred return of 10% has been returned. Management fees and performance fess paid and payable by the Partnership were allocated to the RMF 2 Portfolio on a pro-rata basis.

Transactions and balances with DRI Capital during the three and nine months ended September 30, 2020 and 2019 were as follows:

- During the three and nine month periods ended September 30, 2020, the RMF 2 Portfolio was charged performance fees in the amount of $143,451 and $591,502 (2019 – $1,150,454 and $5,591,714), respectively.
- Included in accounts payable at September 30, 2020 is $18,968 (December 31, 2019 – $8,517) payable to DRI Capital for reimbursement of third party costs incurred.

Transactions and balances with DRI Capital during the years ended December 31, 2019, 2018 and 2017 were as follows:

- During the year ended December 31, 2019, the RMF 2 Portfolio was charged management fees by DRI Capital in the amount of $nil (2018 – $nil, 2017 – $30,317) and performance fees in the amount of $6,666,174 (2018 – $nil, 2017 – $nil).
- Included in accounts payable at December 31, 2019 is $8,517 (2018 – $6,077, 2017 – $11,638) payable to DRI Capital for reimbursement of third party costs incurred.

Significant Accounting Judgments and Estimates

The preparation of the carve-out financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the carve-out financial statements and the reported amounts of income, expenses, and other income during the year. Significant estimates relate to royalty income, and royalties receivable, and provision for expected credit losses of royalties receivable. Actual results could differ from those estimates and such differences could be material to the carve-out financial statements.

In calculating accruals, judgments are made around, over or under performance, and commercial factors based on historical and expected performance, our knowledge of each royalty investment and our regular correspondence with royalty payers. Estimated royalty income receivable is accrued for on the basis of expected royalty receipts for the

upcoming period for each royalty asset, which incorporates an element of uncertainty. The estimated income accrual may not therefore directly equal the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual income received is known, and these adjustments may be material. Other areas requiring management estimates include the determination of the allocation of expenses of the Partnership included in the carve-out statement of income and comprehensive income.

Performance fees are based on the RMF 2 Portfolio's performance, relative to a benchmark based on the realized returns on investments. In many cases, these performance fees are highly susceptible to market volatility until they are crystallized, which may be after the end of the reporting period. In determining performance fees, judgments are made over or under performance, and commercial factors based on historical and expected performance, our knowledge of the royalty investment and regular correspondence with royalty payers. Estimated performance fees are accrued for on the basis of expected performance of the RMF 2 Portfolio, which incorporates an element of uncertainty. The estimated performance fees may differ from the actual cash payments in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual payments are known.

The RMF 2 Portfolio reviews intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Partnership to use a valuation technique to determine if impairment exists. the RMF 2 Portfolio 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 estimated cash flows the intangible assets are expected to generate could differ from actual results.

Financial Instruments

The fair value of a financial instrument is the estimated amount that the RMF 2 Portfolio would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date. Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Financial instruments include cash, royalties receivable, accounts payable and accrued liabilities, and amounts due to RMF 2 Co-Investment, GP, Ltd. The carrying value of these financial instruments represents fair value due to the immediate or short-term duration of these items.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are subject to certain risks which may affect our results of operations, cash flows and fair values of assets and liabilities, including volatility in foreign currency exchange rates, interest rate movements. Our primary exposure to market risk is credit and counterparty risk.

We are not exposed to interest rate risk. Because of the short-term maturities of our cash equivalents, we do not believe that a decrease in interest rates would have any material negative impact on the fair value of our cash equivalents or marketable securities.

We are not exposed to foreign currency risk as our royalty receipts are denominated in U.S. dollars which is our functional currency.

Credit and Counterparty Risk

Credit risk arises from the possibility that the RMF 2 Portfolio's debtors may experience financial difficulty and be unable to fulfill their financial obligations. The RMF 2 Portfolio's royalties receivable are concentrated in the pharmaceutical and health sciences industry. The RMF 2 Portfolio monitors its exposure to its counterparties on a regular basis. The RMF 2 Portfolio receives royalty income from one counterparty.

APPENDIX A
BOARD MANDATE

The board of trustees (the "**Board**") of DRI Healthcare Trust (the "**Trust**") is elected by unitholders and is responsible for the stewardship of the activities and affairs of the Trust. The purpose of this mandate is to describe the main duties and responsibilities of the Board. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Trust's strategic planning and organizational structure and supervising management and the manager of the Trust to oversee that the strategic planning and organizational structure enhance and preserve the business of the Trust and the underlying value of the Trust. The manager of the Trust, DRI Capital Inc. (the "**Manager**"), provides management and other services to the Trust and its subsidiaries, and also provides the services of certain employees of the Manager who act as executive officers of the Trust.

Duties of Trustees

The Board discharges its responsibility for overseeing the management of the Trust's activities and affairs by delegating to the Trust's senior officers the responsibility for day-to-day activities of the Trust. The Trust has also engaged the Manager to provide certain services to the Trust. The Board discharges its responsibilities both directly and by delegation through its committees. In addition to these standing committees, the Board may appoint *ad hoc* committees periodically to address certain issues of a more short-term nature.

Principal duties, which may be carried out directly or via one or more committees, include, but are not limited to the following:

Relationship with Management

1. The Board is responsible for approving the appointment of the Chief Executive Officer (the "CEO") and all other senior management.
2. In approving the appointment of the CEO and all other senior management, the Board will, to the extent feasible, satisfy itself as to the integrity of these individuals and that they create a culture of integrity throughout the Trust.
3. The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits, and material transactions outside the ordinary course of business are reviewed by and are subject to the prior approval of the Board.
4. The Board is responsible for overseeing the Trust's relationship with the Manager.
5. The Board assesses and revises the Trust's executive compensation practices, including overseeing any equity-based compensation plans and grants and reviewing the Trust's executive compensation disclosure.

Board Organization

6. The Board will receive recommendations from the Governance, Compensation and Nominating Committee (the "GCN Committee"), but retains responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the Chair of the Board, the selection of the lead independent trustee of the Board, if applicable, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and trustee compensation.
7. The Board may establish committees of the Board, where required or prudent, and define their mandate. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and equity compensation of management, the conduct of performance evaluations and oversight of internal control systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.
8. The Board will oversee orientation and education program for new trustees and ongoing educational opportunities for continuing trustees.

Strategic Planning

9. The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the Trust and its objectives and goals.

10. The Board is responsible for advising management on strategic issues, approving the Trust's strategic plans, approving the Trust's annual business plan and annual operating and other budgets and for monitoring the Trust's performance against strategic and annual plans as well as against annual and other budgets.

Monitoring of Financial Performance and Other Financial Reporting Matters

11. The Board is responsible for enhancing congruence between stakeholder expectations, the Trust's plans and management performance, including the performance of the Manager.

12. The Board is responsible for adopting processes for monitoring the Trust's progress toward its strategic and operational goals, and to revise and alter its direction to management in light of changing circumstances affecting the Trust.

13. The Board is responsible for approving the Trust's audited financial statements, management's discussion and analysis accompanying such financial statements and annual earnings press release.

14. The Board is responsible for reviewing the Trust's unaudited interim period financial statements, management's discussion and analysis accompanying such financial statements and quarterly earnings press releases.

15. The Board is responsible for approving other applicable regulatory filings that require or are advisable for the Board to approve, and the Board may delegate responsibility for approving such filings. Such filings include, without limitation, management information circulars, annual information forms, offering documents and other applicable disclosure.

16. The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Declaration of Trust, including the payment of distributions.

Risk Management

17. The Board is responsible for overseeing the identification of the principal risks of the Trust's business, including cybersecurity risks, and the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return to the Trust's unitholders.

Policies and Procedures

18. The Board is responsible for:

    (a) approving and assessing compliance with all significant policies and procedures by which the Trust is operated; and

    (b) approving policies and procedures designed to ensure that the Trust operates at all times within applicable laws and regulations.

19. The Board is responsible for supporting a corporate culture of integrity and responsible stewardship.

20. The Board shall enforce its policy respecting confidential treatment of the Trust's proprietary information and the confidentiality of Board deliberations.

Communications and Reporting

21. The Board is responsible for:

    (a) overseeing the accurate reporting of the financial performance and condition of the Trust to unitholders, other securityholders and regulators on a timely and regular basis;

(b) encouraging effective and adequate communication with unitholders, other stakeholders and the public; and

(c) ensuring the integrity and adequacy of internal controls and management information systems.

Certain Individual Responsibilities of Members of the Board

22. Each member of the Board is expected to attend all meetings of the Board, unless adequate notification of absence is provided.

23. Each member of the Board is expected to have reviewed all materials provided in connection with a meeting in advance of such meeting and to be prepared to discuss such materials at the meeting.

Review and Disclosure

The Board will review and reassess the adequacy of this mandate periodically and otherwise as it deems appropriate and amend it accordingly. The performance of the Board will be evaluated with reference to this mandate.

The Board will ensure that this mandate is disclosed on the Trust's website and that this mandate or a summary of it which has been approved by the GCN Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

APPENDIX B
AUDIT COMMITTEE CHARTER

Purpose

1. The Audit Committee (the "**Committee**") is a standing committee appointed by the board of trustees (the "**Board**") of DRI Healthcare Trust (the "**Trust**"). Any reference to "management" herein will include DRI Capital Inc., as manager of the Trust, and any of its officers, employees or other personnel. The Committee is established to fulfill applicable public company obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting. This includes the responsibility to oversee, among other things as may be delegated by the Board from time to time:
   (a) the integrity of the Trust's financial statements and financial reporting processes, including the audit process and the Trust's internal control over financial reporting, disclosure controls and procedures, and compliance with other related legal and regulatory requirements;
   (b) the qualifications and independence of the Trust's external auditors;
   (c) the work of the Trust's financial management, internal audit (if any), internal control function and external auditors;
   (d) enterprise risk management, privacy and data security, and to monitor such matters; and
   (e) the auditing, accounting and financial reporting process generally.
2. In addition, the Committee will prepare, if required, an audit committee report for inclusion in the Trust's management information circular, in accordance with applicable rules and regulations.
3. The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members to: (a) plan or conduct audits; (b) determine that the Trust's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (c) conduct other types of auditing or accounting reviews or similar procedures or investigations. The members of the Committee are members of the Board. They are appointed to the Committee to provide broad oversight of the financial, risk and control-related activities of the Trust, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.
4. Management is responsible for the preparation, presentation and integrity of the Trust's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls over financial reporting and disclosure controls and procedures. The external auditors are responsible for planning and carrying out audits of the Trust's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

Procedures of the Committee

5. *Number of Members* – The members of the Committee will be appointed by the Board. The Committee will consist of not less than three Board members.
6. *Independence* – Except as otherwise permitted by applicable laws, including section 3.2 of National Instrument 52-110 – Audit Committees ("**NI 52-110**"), the Committee will consist at all times of trustees who are "independent" within the meaning of NI 52-110. The Board will consider all relevant facts and circumstances in making a determination of independence for each trustee.
7. *Financial Literacy and Other Related Experience* – Each member of the Committee must be able to read and understand financial statements, and must otherwise be "financially literate" within the meaning of applicable requirements or guidelines for audit committee service under securities laws, including NI 52-110, or the rules of any applicable stock exchange. At least one member will have past employment experience in

finance or accounting, requisite professional certification in accounting, or other comparable experience or background. Further, each member should have reasonably sufficient experience in such other economic, financial, investment or business matters as the Board may deem appropriate.

8. *Appointment and Replacement of Committee Members* – Any member of the Committee may be removed or replaced at any time by the Board and will automatically cease to be a member of the Committee upon ceasing to be a trustee. The Board will fill any vacancy if the membership of the Committee is less than three trustees. Whenever there is a vacancy on the Committee, the remaining members may exercise all of the powers of the Committee as long as a quorum remains in office. Subject to the foregoing, the members of the Committee will be appointed by the Board annually and each member of the Committee will remain on the Committee until the next annual meeting of unitholders after his or her appointment or until his or her successor will be duly appointed and qualified.

9. *Committee Chair* – Unless a Committee Chair is designated by the full Board, the members of the Committee may designate from the members of the Committee a Chair by majority vote of the full Committee. The Committee Chair will be responsible for leadership of the Committee assignments and reporting to the Board. If the Committee Chair is not present at any meeting of the Committee, one of the other members of the Committee who is present will be chosen by the Committee to preside at the meeting. The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

10. *Conflicts of Interest* – If a Committee member faces potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of trustees, that member will be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair will advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict will disclose to the Committee the member's interest and will not participate in consideration of the matter and will not vote on the matter.

11. *Meetings* – The Committee will meet regularly and as often as it deems necessary to perform the duties and discharge its responsibilities described herein in a timely manner, but not less than four times a year and any time the Trust proposes to issue a press release with its interim period or annual financial results or any other material financial information of the Trust. The Committee Chair will approve the agenda for such meetings and any member may suggest items for consideration. Briefing materials will be provided to the Committee as far in advance of meetings as practicable. The Committee will maintain written minutes of its meetings, which will be filed with the meeting minutes of the Board.

12. *Separate Executive Meetings* – The Committee will meet periodically, but no less than quarterly, with the Chief Financial Officer and the external auditors in separate sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately and such persons will have access to the Committee to bring forward matters requiring its attention. However, the Committee will also meet periodically without management present.

13. *Reliance* – Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee will be entitled to rely on: (a) the integrity of those persons or organizations within and outside the Trust from which it receives information; (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (c) representations made by management and the external auditors as to any permissible non-audit services provided by the external auditors to the Trust and its subsidiaries.

14. *Self-Evaluation* – The Committee will conduct a self-evaluation at least annually to determine whether it and its members are functioning effectively, and report its conclusion to the Board.

Selection and Oversight of the External Auditors

15. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the unitholders of the Trust and will report directly to the Committee and the Committee will so instruct the external auditors. The Committee will evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Trust to

be proposed in the Trust's management information circular for unitholder approval and will have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee will review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

16. The Committee will be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or performing other audit, review or attest services of the Trust, and each such registered public accounting firm must report directly to the Committee.

17. The Committee will approve policies and procedures for the pre-approval of services to be rendered by the external auditors, which policies and procedures will include reasonable detail with respect to the services covered. All permissible non-audit services to be provided to the Trust or any of its affiliates by the external auditors or any of their affiliates that are not covered by pre-approval policies and procedures approved by the Committee will be subject to pre-approval by the Committee. The Committee will have the sole discretion regarding the prohibition of the external auditor providing certain non-audit services to the Trust and its affiliates. The Committee will also review and approve disclosures with respect to permissible non-audit services.

18. The Committee will review the independence of the external auditors and will make recommendations to the Board on appropriate actions to be taken that the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee will:

    (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

    (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Trust and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand and to the extent there are relationships, monitor and investigate them;

    (c) ensure the rotation of the lead (and concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law;

    (d) consider whether there should be a regular rotation of the external audit firm itself; and

    (e) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

19. The Committee will establish and monitor clear policies for the hiring by the Trust of employees or former employees of the external auditors.

20. The Committee will require the external auditors to provide to the Committee, and the Committee will review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports will include:

    (a) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, or Canadian Public Accountability Board (CPAB) inspection, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any such issues; and

    (b) a report describing: (i) the proposed audit scope, approach and independence of all critical accounting policies and practices to be used in the annual audit; (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and (iii) other material written communication between the external auditors and management, such as any management letter or schedule of unadjusted differences.

21. The Committee will (i) annually review the experience and qualifications of the independent audit team and review the performance of the independent auditors, including assessing their professional skepticism, effectiveness and quality of service, and (ii) every five years perform a comprehensive review of the performance of the independent auditors over multiple years to provide further insight on the audit firm, its independence and application of professional standards.

Oversight and Monitoring of Audits

22. The Committee will review with the external auditors and management the audit function generally, the objectives, staffing, locations, coordination (reduction of redundant efforts) and effective use of audit resources, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Trust and its subsidiaries, the overall audit plans, the responsibilities of management, the external auditors, the audit procedures to be used and the timing and estimated budgets and staffing of the audits.
23. The Committee will meet periodically with any internal auditors to discuss the progress of their activities, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and any difficulties or disputes that arise with management in the course of their audits, including any restrictions on the scope of their work or access to required information, and the adequacy of management's responses in correcting audit-related deficiencies.
24. The Committee will review with management the results of external audits.
25. The Committee will provide an open avenue of communication between the external auditors, the Board and management and take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Appointment and Oversight of Internal Auditors

26. The appointment, terms of engagement, compensation, replacement or dismissal of any internal auditors will be subject to prior review and approval by the Committee. When the internal audit function is performed by employees of the Company, the Committee may delegate responsibility for approving the employment, term of employment, compensation and termination of employees engaged in such function (other than with respect to the head of the Company's internal audit function).
27. The Committee will obtain from the internal auditors, if any, and will review, summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management's responses to such reports.
28. The Committee will, as it deems necessary or appropriate, communicate with the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor, if any, brings to the attention of the Committee. The head of the internal audit function will have unrestricted access to the Committee.
29. The Committee will as frequently as it deems necessary or appropriate, evaluate the internal auditors, if any, including their activities, organizational structure, independence, objectivity, qualifications and effectiveness.

Oversight and Review of Accounting Principles and Practices

30. The Committee will, as it deems necessary or appropriate, oversee, review and discuss with management and the external auditors (together and separately as it deems necessary), among other items and matters:
    (a) the quality, appropriateness and acceptability of the Trust's accounting principles, practices and policies used in its financial reporting, its consistency from period to period, changes in the Trust's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new or unusual transactions or events;
    (b) all significant financial reporting issues, estimations and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by management from an independent auditor with respect to the accounting treatment of a particular item;

(c) any material change to the Trust's auditing and accounting principles and practices as recommended by management or the external auditors, that may result from proposed changes to applicable generally accepted accounting principles;

(d) the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented; and

(e) the effect of regulatory and accounting initiatives on the Trust's financial statements and other financial disclosures.

31. The Committee will review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Control Over Financial Reporting

32. The Committee will, as it deems necessary or appropriate, exercise oversight of, review and discuss with management and the external auditors (together and separately, as it deems necessary):

(a) the adequacy and effectiveness of the Trust's internal control over financial reporting and disclosure controls and procedures designed to ensure compliance with applicable laws and regulations;

(b) any significant deficiencies or material weaknesses in internal control over financial reporting or disclosure controls and procedures;

(c) the risk of management's ability to override the Trust's internal controls;

(d) any fraud, of any amount or type, that involves management or other trustees who have a significant role in the internal control over financial reporting;

(e) the adequacy of the Trust's internal controls and any related significant findings and recommendations of the external auditors together with management's responses thereto

(f) any significant change in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Trust's periodic regulatory filings; and

(g) management's compliance with the Trust's processes, procedures and internal controls.

33. The Committee will establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters, and confidential, anonymous submissions of concerns regarding questionable accounting or auditing matters.

Oversight and Monitoring of Financial Reporting and Disclosure

34. The Committee will:

(a) review with the external auditors and management and recommend to the Board for approval the audited financial statements and the notes and management's discussion and analysis accompanying such financial statements, the Trust's annual report and any financial information of the Trust contained in any prospectus, information circular or any other disclosure document or regulatory filing of the Trust;

(b) review with the external auditors and management each set of interim period financial statements and the notes and Managements' Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Trust containing or accompanying financial information of the Trust; and

(c) review the disclosure regarding the Committee required to be included in any publicly filed or available document by applicable securities laws or regulations or stock exchange rules or requirements.

Such reviews will be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

35. Prior to their distribution or public disclosure, the Committee will discuss earnings press releases, as well as financial information and guidance, it being understood that such discussions may, in the discretion of the Committee, be done generally (e.g., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Trust gives guidance.

36. The Committee will oversee compliance with the requirements of applicable securities laws or rules for disclosure of auditors' services, engagements and independence of external auditors and audit committee member qualifications and activities.

37. The Committee will receive and review the financial statements and other financial information of material subsidiaries of the Trust and any auditor recommendations concerning such subsidiaries.

38. The Committee will meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Oversight of Finance Matters

39. The Committee will:

    (a) review periodically the capital structure of the Trust, and, when necessary, recommend to the Board transactions or alterations to the Trust's capital structure;

    (b) review and make recommendations to the Board concerning the financial structure, condition and strategy of the Trust and its subsidiaries, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long-term commitments and the issuance and/or repurchase of securities;

    (c) review and discuss with DRI Capital Inc., the Trust's manager, the Trust's investment policies and guidelines, as well as the Trust's compliance with any such investment policies and guidelines, including past and expected future performance, both in the context of financial returns and risk mitigation;

    (d) periodically review matters pertaining to the Trust's material policies and practices respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Trust;

    (e) periodically review the Trust's major financial risk exposures (including foreign exchange and interest rate) and management's initiatives to control such exposures, including the use of financial derivatives and hedging activities;

    (f) review and approve special transactions or expenditures as specifically delegated by the Board to a committee thereof or to one or more trustees or officers;

    (g) review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), leases and other relationships of the Trust with unconsolidated entities, other persons, or related parties (subject to section 47 below), that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;

    (h) review and discuss with management any equity investments, acquisitions and divestitures that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;

    (i) review and discuss policies, procedures and practices with respect to risk identification, assessment and management, including appropriate guidelines and policies to govern the process, as well as the Trust's major enterprise risk exposures and the steps management has undertaken to control them;

    (j) review and discuss with management the Trust's effective tax rate, adequacy of tax reserves, tax payments and reporting of any pending tax audits or assessments, and material tax policies and tax planning initiatives; and

    (k) review the Trust's pension or similar retirement arrangements, management and obligations, as applicable.

Risk Oversight, Privacy and Cybersecurity

40. The Committee will annually (or as more frequently as the Committee deems necessary or appropriate):

    (a) review and discuss with management and as the Committee deems necessary or appropriate, and monitor the adequacy and effectiveness of: (i) management's program, including policies and guidelines, to identify, assess, manage, and monitor major enterprise risks of the Trust, including financial, operational, privacy, security, business continuity, legal and regulatory, and reputational risks, as well as those risks that would threaten the Trust's business, current or potential future licenses, future performance, solvency or liquidity; (ii) management's risk management decisions, practices and activities; (iii) reports from management and others, including without limitation, internal audit, regarding compliance with item (i) above; and (iv) the adequacy and appropriateness of management's response to, including the implementation thereof, the matters and findings, if any, in the reports referenced in item (iii) above; and

    (b) review, discuss with management and assess (including Board recommendations, as necessary) the Trust's privacy and cybersecurity risk exposures, including, but not limited to: (i) the potential impact of those exposures on the Trust's business, operations and reputation; (ii) the steps management has taken to monitor and mitigate such exposures across all functions and Trust connections with third parties and the Trust's cybersecurity insurance coverage; (iii) the Trust's information governance and cybersecurity policies and programs and management's efforts to build a culture of sensitivity to cybersecurity concerns; (iv) security breach incidence reports and incident response protocols, including crisis management and disaster recovery plans; (v) Trust disclosures regarding cybersecurity risks, (vi) the Trust's cybersecurity strategy, including the allocation of Trust resources to management of cybersecurity risks; and (vii) major legislative and regulatory developments that could materially impact the Trust's privacy and cybersecurity risk exposure; and

    (c) review and discuss with management (including Board recommendations, as necessary) the adequacy of the Trust's insurance coverage.

Committee Reporting

41. If required by applicable laws or regulations or stock exchange requirements, the Committee will prepare, review and approve a report to unitholders and others (the "**Report**"). In the Report, the Committee will state, among other things, whether it has:

    (a) reviewed and discussed the audited financial statements with management and the external auditors;

    (b) received from the external auditors all reports and disclosures required under legal, listing and regulatory requirements and this Charter and have discussed such reports with the external auditors, including reports with respect to the independence of the external auditors; and

    (c) based on the reviews and discussions referred to in clauses (a) and (b) above, recommended to the Board that the audited financial statements be included in the Trust's annual report.

42. The Committee will otherwise report regularly to the Board regarding the execution of the Committee's duties, responsibilities and activities, as well as any issues encountered and related recommendations and recommend to the Board that the audited financial statements be included in the Trust's applicable annual report.

43. The Committee will also report to the Board annually regarding the oversight and receipt of certifications from applicable management confirming compliance with certain applicable laws, regulations or rules and certain Trust policies and practices, in each case as the Committee deems necessary or appropriate.

Additional Authority and Responsibilities

44. The Committee will have the authority to engage independent counsel and other advisers, hire and terminate special legal, accounting, financial or other consultants to advise the Committee at the Trust's expense, in each case, as it determines necessary or appropriate to carry out its duties and without consulting with, or obtaining prior approval from, any officer of the Trust or the Board. The Committee may ask members of management, including, without limitation, the applicable member of management responsible for enterprise

risk management, or others, to attend meetings or provide information as necessary. The Committee will also have the authority to ask the Trust's independent auditors to attend meetings or provide information as necessary, and the Trust's independent auditors will have direct access to the Committee at their own initiative.

45. The Committee will provide for appropriate funding for payment: of (a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Trust; (b) compensation to any advisers engaged or employed by the Committee under subsection 32 above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

46. The Committee will review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and perform such other functions as assigned by law or the Trust's constating documents.

47. The Committee will review and approve in advance any proposed related-party transactions and required disclosures of such in accordance with applicable securities laws and regulations and consistent with any related-party transaction policy of the Trust, to the extent such policy exists, and report to the Board on any approved transactions.

48. The Committee will discharge its responsibilities, and will assess the information provided by the Trust's management and the external advisers, in accordance with its business judgment. Members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, and on the accuracy and completeness of the information provided. Nothing in this charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the trustees are subject under applicable law. This charter is not intended to change or interpret the constating documents of the Trust or applicable law or stock exchange rule to which the Trust is subject, and this charter should be interpreted in a manner consistent with all such applicable laws and rules.

49. The Board may, from time to time, permit departures from the terms of this charter, either prospectively or retrospectively. This charter is not intended to give rise to civil liability on the part of the Trust or its trustees or officers to unitholders, security holders, customers, suppliers, competitors or other persons, or to any other liability whatsoever on their part.

Review and Disclosure

The Committee will review and reassess the adequacy of this charter periodically and otherwise as it deems appropriate and amend it accordingly. The performance of the Committee will be evaluated with reference to this charter.

The Committee will ensure that this charter is disclosed on the Trust's website and that this charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements.

CERTIFICATE OF THE TRUST AND THE PROMOTER

Dated: February 10, 2021.

This prospectus, together with the documents and information incorporated by reference, will, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, constitute, full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under the securities legislation of each of the provinces of Canada.

(Signed) Behzad Khosrowshahi
Chief Executive Officer

(Signed) Chris Anastasopoulos
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) Gary M. Collins
Trustee

(Signed) Tamara Vrooman
Trustee

DRI CAPITAL INC.
(as Promoter)

(Signed) Behzad Khosrowshahi
Chief Executive Officer

CERTIFICATE OF THE CANADIAN UNDERWRITERS

Dated: February 10, 2021.

To the best of our knowledge, information and belief, this prospectus, together with the documents and information incorporated by reference, will, as of the date of the supplemented prospectus providing the information permitted to be omitted from this prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required under the securities legislation of each of the provinces of Canada.

SCOTIA CAPITAL INC.	UBS SECURITIES CANADA INC.	RBC DOMINION SECURITIES INC.
By: (Signed) Rob Sainsbury	By: (Signed) François Turgeon	By: (Signed) Matt Pittman

BMO NESBITT BURNS INC.	CIBC WORLD MARKETS INC.
By: (Signed) Craig King	By: (Signed) Paul Gorman

NATIONAL BANK FINANCIAL INC.

By: (Signed) Petar Zelic

CANACCORD GENUITY CORP.

By: (Signed) Steve Winokur


DRI
Healthcare Trust