

DIVERSIFIED ROYALTY CORP.

Management's Discussion and Analysis

May 12, 2015

The following is management's discussion and analysis ("MD&A") in respect of the results of operations of Diversified Royalty Corp. ("DIV" or the "Company") for the three months ended March 31, 2015 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2015. The financial statements of the Company are presented in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to the Company is available on SEDAR at www.sedar.com.

CORPORATE UPDATE

In May 2014, the Company announced its corporate strategy, which is to acquire top-line royalty streams from a number of growing multi-location businesses and franchisors.

On September 26, 2014, consistent with its corporate strategy, the Company completed a transaction (the "Franworks Acquisition") with Franworks Franchise Corp. ("Franworks") whereby it acquired an approximate \$12 million annual top-line royalty for a purchase price of \$108.8 million. Management determined that the royalty acquisition from Franworks is a platform transaction for DIV and the first step in DIV's current business strategy to acquire top-line royalty streams from a number of growing multi-location businesses and franchisors.

Calgary-based Franworks is one of the fastest growing mid-tier casual dining groups in Canada. On March 31, 2015, Franworks had 63 Original Joe's, 13 State & Main and 12 Elephant & Castle restaurants in operation, located in Western Canada (77), Ontario (5) and the United States (6, all Elephant & Castle). Approximately 40% of the restaurants are wholly owned and operated by Franworks and 60% are franchised locations (65% of which are joint ventures with Franworks). Franworks restaurants had total gross sales of approximately \$225.8 million for the twelve months ended March 31, 2015 and employed approximately 3,500 people.

As part of the Franworks Acquisition, the Company acquired all of the Canadian and US trademarks and other intellectual property rights related to the Original Joe's, State & Main and Elephant & Castle restaurant businesses (the "FW Rights") from a wholly owned subsidiary (the "FW Subsidiary") of Franworks. The FW Rights include all registered and unregistered trademarks (including service marks, logos, brand names, trade dress and pending applications for registration) used in connection with the aforementioned restaurant businesses and all intellectual property used in connection with such businesses (including trade secrets, patented technology, proprietary databases, domain names, know-how and show-how, recipes and uniform standard, methods, procedures and specifications regarding the establishment and operation of the restaurants operated under the aforementioned brands). Pursuant to a licence and royalty agreement dated September 26, 2014, the Company licensed the FW Rights to

Franworks' wholly owned subsidiary for the payment of a royalty equal to 6% of the gross sales of 58 Original Joe's, 13 Elephant & Castle and 7 State & Main restaurants in existence on March 31, 2014 that were opened prior to September 30, 2013. The trailing twelve month gross sales for these 78 restaurants in the Franworks royalty pool (the "Royalty Pool") as at March 31, 2015 were \$205.3 million. This includes \$1.7 million of lost system sales related to the closure of the Chicago Huron Elephant & Castle restaurant (December 20, 2014) and renovations which were underway at the following locations: Calgary 4th Street Original Joe's, Seattle Elephant & Castle, and Vancouver Rosie's on Robson Elephant & Castle.

Concurrent with the Franworks Acquisition, the Company changed its name to "Diversified Royalty Corp." from BENEV Capital Inc., adopted a new Long Term Incentive Plan ("LTIP"), allowed for the exchange of stock options held by certain directors and officers into Restricted Share Units ("RSU's"), at their option, and provided for the future grant of RSU's and/or Deferred Share Units ("DSU's"). 250,000 RSU's were granted to the President and Chief Executive Officer upon closing of the Franworks Acquisition.

On November 12, 2014, the Company issued 14,375,000 common shares at a price of \$2.40 per common share for gross proceeds of \$34.5 million (the "Offering") in connection with an underwriting agreement (the "Underwriting Agreement") dated October 20, 2014, between the Company and a syndicate of underwriters (the "Underwriters"). The Offering includes the full exercise of an over-allotment option by the Underwriters, under which the Underwriters purchased an aggregate of 1,875,000 common shares at a price of \$2.40 per common share. The Company intends to use the net proceeds from the Offering to fund future acquisitions of additional top-line royalties from other multi-location businesses and franchisors and for general corporate purposes.

Subsequent to the end of the quarter on April 1, 2015, the Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the US that had been permanently closed. With the adjustment for these five openings and one closure, the Royalty Pool now includes 82 restaurants. For further information, see "Five New Restaurants Added to the Royalty Pool" below.

OUTLOOK

The Company continues to pursue and evaluate additional royalty stream acquisitions from multi-location businesses and franchisors. Since the closing of the Franworks Acquisition, the Company has had several preliminary inquiries from, and discussions with, potential royalty partners that would add to the Company's royalty income and allow the Company to invest all or a portion of the proceeds raised by the Offering. As of the date hereof, the Company has no probable future acquisitions and there can be no assurance that the Company will be able to identify and make acquisitions that satisfy the Company's business objectives or strategy. As a conservative measure, the Company does not use any estimates for future revenue earned from the contribution of capital into new or existing royalty partners in its guidance or budgeting process.

Certain information contained herein may be considered to be future oriented financial information or financial outlook under applicable securities laws, the purpose of providing such

information in this MD&A is to demonstrate the visibility the Company has with respect to its royalty streams, and such statements are subject to the risks and assumptions identified for the Company in this MD&A. Readers are cautioned that the information may not be appropriate for other purposes. See also “Forward Looking Information” below.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters.

(000's except per share amounts)	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 2,916	\$ 3,078	\$ 169	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ 1,190	\$ 1,433	\$ 8,433	\$ (2,054)	\$ (389)	\$ (523)	\$ (867)	\$ (1,297)
Earnings (loss) per common share								
Basic	\$ 0.02	\$ 0.02	\$ 0.21	\$ (0.05)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Diluted	\$ 0.02	\$ 0.02	\$ 0.21	\$ (0.05)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)

Revenue

As the Franworks Acquisition closed on September 26, 2014, Q3 2014 had five days of royalty revenue totalling \$0.17 million and Q4 2014 marked the first full quarter with royalty revenue for the Company totalling \$3.1 million, including a make-whole payment of \$6,000. During Q1 2015, the Company generated \$2.9 million in royalty revenue, which included approximately \$100,000 from four make-whole payments. There was no revenue generated from the period Q2 2013 through Q2 2014 as the Company had shut down its only operating facility in St. Ambroise, Quebec and had not yet completed the Franworks Acquisition.

Net Income

A loss on the sale of the plant and related restructuring costs were recorded in Q2 2013. Subsequent to Q2 2013 the Company achieved significant cost reductions in operating and administrative expenses due to the sale of the St. Ambroise facility.

However, during Q3 2013 these cost reductions were offset by increases in legal fees relating to the John Bennett litigation and stock-based compensation. In Q2 and Q3 2014, the Company incurred significant costs, with respect to the due diligence and legal fees related to the acquisition agreement with Franworks, fighting the proxy battle with Difference Capital Financial Inc. and preparing the circular for the shareholder vote; this resulted in a significant operating loss for the Company in these quarters, before the deferred income tax recovery in Q3 2014, which resulted in net income for that quarter.

In Q4 2014, the Company had its first full quarter of royalty income, incurred increased legal fees related to the John Bennett litigation and generated net income of \$1.4 million.

In Q1 2015, the Company's royalty income fell approximately 5% from Q4 2014 due to seasonal factors, legal fees related to the John Bennett litigation decreased 32% from the fourth quarter of 2014, and the Company generated net income of \$1.2 million.

FINANCIAL HIGHLIGHTS

The table below sets out selected unaudited information from the financial statements of Diversified Royalty Corp. together with other data and should be read in conjunction with the consolidated interim financial statements of the Company for the periods ended March 31, 2015 and 2014. The financial information in the tables included in this MD&A are reported in accordance with IFRS unless otherwise noted.

(000's except per share amounts)	Q1 2015	Q1 2014	Year ended 2014	Year ended 2013	Year ended 2012
Restaurants in the Royalty Pool	78	n/a	78	n/a	n/a
Gross sales reported by Franworks restaurants while in the Royalty pool	\$ 48,596	n/a	\$ 54,117	n/a	n/a
Revenue ¹	\$ 2,916	\$ -	\$ 3,247	\$ -	\$ 28,299
Royalty income ²	\$ 2,916	n/a	\$ 3,247	n/a	n/a
Normalized EBITDA ³	\$ 2,514	\$ (490)	n/a	n/a	n/a
Distributable cash ³	\$ 2,317	\$ (254)	n/a	n/a	n/a
Income (loss) from operations	\$ 1,765	\$ (625)	\$ (2,758)	\$ (4,668)	\$ 8,019
Net Income	\$ 1,190	\$ (389)	\$ 7,422	\$ (3,586)	\$ 9,300
Dividends paid	\$ 3,228	n/a	\$ 2,153	n/a	n/a
SSSG ⁴	2.5%	n/a	1.1%	n/a	n/a
Basic EPS	\$ 0.02	\$ (0.01)	\$ 0.17	\$ (0.09)	\$ 0.24
Diluted EPS	\$ 0.02	\$ (0.01)	\$ 0.17	\$ (0.09)	\$ 0.24
Distributable cash flow per share ³	\$ 0.03	\$ -	n/a	n/a	n/a
Dividend per share	\$ 0.05	n/a	\$ 0.03	n/a	n/a
Total assets	\$ 153,393	\$ 69,040	\$ 155,216	\$ 69,542	\$ 73,975
Total non-current financial liabilities	\$ 15,337	\$ 557	\$ 15,325	\$ 574	\$ 659

Notes:

- ¹ In 2012, prior to the sale of the St. Ambroise waste treatment facility in May of 2013, the Company generated revenue by treating contaminated soils.
- ² Royalty income includes approximately \$100,000 in make-whole payments related to one permanently closed restaurant and three restaurants where renovations were underway.
- ³ Distributable Cash, Distributable cash flow per share, and Normalized EBITDA are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, see the heading Description of Distributable Cash and Non-IFRS Measures and Additional IFRS Measures in this Management Discussion and Analysis. As Q1 of 2015 marked the second full quarter since the Franworks Acquisition was completed on September 26, 2014, Distributable Cash and Normalized EBITDA have only been presented for Q1 of 2015 and the comparable period of 2014.
- ⁴ SSSG - Same store sales growth, or comparable period sales growth against the same base of stores.

KEY ATTRIBUTES OF COMPANY

The key feature of the Company's royalty revenue is that it is based on top-line, gross sales of Franworks restaurants in the Royalty Pool and not on the profitability of either Franworks or individual restaurants in the Royalty Pool. The Company's ongoing expenses, post the Franworks Acquisition, are general and administrative (including public company costs), professional fees, and interest on non-amortizing debt, as well as acquisition costs on future royalty purchases. Unusual expenses primarily relate to the John Bennett litigation, which the Company hopes to have settled in 2015. Thus the success of the Company currently depends primarily on the ability of Franworks to maintain and increase the gross sales of the Franworks restaurants in the Royalty Pool and pay the royalty.

Increases in gross sales are derived from both same store sales growth ("SSSG") from existing restaurants in the Royalty Pool and from the addition of new Franworks restaurants to the Royalty Pool. Franworks has historically generated SSSG through a combination of increased guest counts and increased average guest cheque.

In the event that a Franworks restaurant is permanently closed during the year (including the termination of a franchise agreement) or that renovations have caused the closure of a restaurant, Franworks will continue to pay the royalty amount for that closed Franworks restaurant ("Make-whole Payment") from the date of closure until those sales are replaced with gross sales from new Franworks restaurants that are added to the Royalty Pool or until the restaurant re-opens. The amount of the Make-whole Payment is based on the gross sales of the permanently closed restaurant or the restaurant, which was closed due to renovations, as applicable, for the first year it was included in the Royalty Pool.

The Franworks Acquisition is a platform transaction for DIV and the first step in DIV's current business strategy to purchase top-line royalty streams from a number of growing multi-location businesses and franchisors. The Company's primary objectives are to: (i) generate predictable, growing royalty streams, and, (ii) increase cash flow per share by making accretive royalty purchases. These objectives will allow the Company to pay a predictable and stable dividend to shareholders, while increasing the dividend as cash flow per share increases allow.

FRANWORKS INTEREST IN THE COMPANY

Upon closing of the Franworks Acquisition on September 26, 2014 and as partial consideration received for the FW Rights, Franworks indirectly owned 16.9% of the issued and outstanding common shares of the Company. Franworks currently indirectly owns 15.4% of the common shares of the Company.

In addition, Franworks also indirectly acquired 100,000,000 Class B limited partnership units, 100,000,000 Class C limited partnership units and 100,000,000 Class D limited partnership units of the Partnership. A portion of the Class B limited partnership units, Class C limited partnership units and Class D limited partnership units indirectly held by Franworks will be automatically exchanged for common shares of the Company in connection with the addition of Franworks restaurants to the Royalty Pool or increases to the royalty rate payable by Franworks, but Franworks will not receive cash distributions from the Partnership in respect of such units. Franworks is contractually required to own, at all times, a minimum of 5,301,205 shares of DIV, plus 10% of the cumulative number of common shares of the Company issued to Franworks upon the exchange of Partnership units. The 5,301,205 shares is equivalent to 10% of the number of common shares of the Company that were issued and outstanding upon closing of the Franworks Acquisition.

CONSOLIDATION OF THE PARTNERSHIP

IFRS requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the accounts of Diversified Royalty Corp, its wholly-owned subsidiary, FW Royalties Limited Partnership (the "Partnership"), and its 90%-owned subsidiary, FW Royalties GP Inc. The Partnership's significant assets include cash, royalties receivable from Franworks and other receivables, and the FW Rights, while its significant liabilities include accounts payable, interest payable, and a long-term bank loan. The Partnership's earnings are largely comprised of royalty income earned from the FW Rights less administrative and interest expenses.

FIVE NEW RESTAURANTS ADDED TO THE ROYALTY POOL

Effective April 1, 2015, the Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the US that had been permanently closed. With the adjustment for these five openings and one closure, the Royalty Pool now includes 82 restaurants.

The estimated gross sales for the 2015 calendar year for the five new restaurants being added to the Royalty Pool is \$13.5 million and the gross sales for the permanently closed restaurant was \$3.5 million. Consequently, the estimated annual gross sales for the net new restaurants added to the Royalty Pool is \$10.0 million for the 2015 calendar year. Based on the 6% royalty payable by Franworks restaurants on gross sales, it is estimated that the net new restaurants will generate additional royalty revenue for the Company of \$0.6 million per annum.

The initial consideration for the estimated net additional royalty revenue is \$4,938,000, representing 80% of the total estimated consideration of \$6,173,000 payable to Franworks for such additional royalty revenue. The adjustment for net additional royalty revenue added to the Royalty Pool is designed to be accretive to DIV shareholders, as the consideration paid to Franworks is calculated using a 7.5% discount of the estimated net royalty revenue added to the Royalty Pool. The consideration is paid in the form of DIV shares on the basis of the 20-day volume weighted average closing price of DIV's shares for the period ending March 25, 2015. Based on a weighted average closing price of \$2.69 per share, the initial consideration payable for the net additional royalty revenue was paid to Franworks in the form of 1,835,728 DIV shares which were issued on April 1, 2015.

The remaining consideration payable for net additional royalty revenue will be paid to Franworks on April 1, 2016, the next adjustment date, and will be adjusted to reflect the actual gross sales of the five new restaurants for the year ended December 31, 2015, as determined through an audit of the gross sales of the five new restaurants in the Royalty Pool.

As a result of the adjustment to the Royalty Pool, Franworks owned 10,827,915 DIV shares, representing 15.4%, of DIV's issued and outstanding common shares, on a non-diluted basis as of April 1, 2015, the date this adjustment was completed.

REDUCTION IN STATED CAPITAL

At the annual meeting of the Company on June 30, 2014, the shareholders approved a resolution to reduce the stated capital to \$50.0 million. This approval resulted in a reduction of share capital of \$47.2 million and a corresponding reduction in accumulated deficit.

DIVIDENDS TO SHAREHOLDERS

The Company intends to provide consistent monthly dividends to shareholders at a sustainable level, and the Company's directors will review dividend levels on an ongoing basis. On October 20, 2014, the Company's board of directors announced the adoption of a monthly dividend policy to pay an annual aggregate dividend of \$0.1884 per common share (or \$0.0157 per share per month), payable on a monthly basis in arrears. Since that time, the Company has paid monthly dividend payments in November and December of 2014, and January, February, March, and April of 2015. On May 11, 2015 the Company announced a dividend of \$0.0157 per share to shareholders of record on May 22, 2015 for payment on May 29, 2015. The determination to declare and pay dividends is at the discretion of the Company's board of directors, and until declared payable, the Company has no requirement to pay cash dividends to its shareholders. The Company's board of directors will review this dividend policy on an ongoing basis, and may amend the policy at any time in light of the Company's then current financial position, profitability, cash flow, applicable legal requirements and other factors considered relevant by the Company's board of directors. The Company's dividends are deemed eligible dividends for Canadian tax purposes.

DISTRIBUTABLE CASH

Distributable Cash is defined as revenue less ongoing expenses less unusual expenses, less cash interest paid on the term loan. Distributable Cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers.

Given the Franworks Acquisition closed on September 26, 2014, the first quarter of 2015 is only the second period that Distributable Cash has been reported.

Distributable Cash (000's)	Q1 2015	Q1 2014
Revenue	\$ 2,916	\$ -
Less:		
Salaries and benefits ¹	178	248
General and administration ¹	139	208
Professional fees ¹	85	34
	402	490
Normalized EBITDA	2,514	(490)
Less: cash interest expense (income)	197	(236)
Distributable Cash	2,317	(254)
Less unusual and non-cash items:		
Litigation ²	694	45
Net finance income ³	(42)	-
Stock based compensation	54	91
Pre-tax net income	1,611	(389)
Deferred Income tax expense	421	-
Net income (loss) and comprehensive income (loss) for the period	\$ 1,190	\$ (389)

Notes:

¹ For additional information, see the relevant headings under the section, Results of Operations for the Three Months Ended March 31, 2015.

² In the first quarter of 2015, the Company incurred increased legal fees related to the John Bennett trial scheduled for November of 2015.
For additional information, see the heading Litigation under the section, Results of Operations for the Three Months Ended March 31, 2015.

³ Net finance income includes finance income, net of non-cash finance costs

ROYALTY POOL

Sales

The Company's income is based on a royalty of 6% of gross sales of Franworks restaurants in the Royalty Pool. The following table sets out system sales of the restaurants in the Royalty Pool for the periods indicated below:

(000's)	Q1 2015	Q1 2014	Year ended 2014	Year ended 2013
System Sales	\$ 48,596	\$ 46,849	\$ 203,568	\$ 192,408

First Quarter

System sales in the Royalty Pool for the first quarter of 2015 were \$48.6 million compared to \$46.8 million for the same quarter of 2014, an increase of 3.7%. The increase in sales was due to SSSG, with added support from a stronger US dollar on sales from US Elephant & Castle restaurants. The sales figure for the first quarter of 2015 also includes make-whole payments on lost system sales of \$1.7 million related to the closure of the Chicago Huron Elephant & Castle restaurant (December 20, 2014) and renovations which were underway at the following locations: Calgary 4th Street Original Joe's, Seattle Elephant & Castle, and Vancouver Rosie's on Robson Elephant & Castle.

Of the 78 Franworks restaurants in the Royalty Pool as at March 31, 2015, 74 were operated during both the entire three months ended March 31, 2015 and the entire three months ended March 31, 2014. The SSSG for these 74 restaurants was +2.5%. This includes a positive contribution of 1.4% from the impact of translating US sales into Canadian dollars ("FX impact"). Of the 74 Franworks restaurants that were measured for SSSG, 66, or 89%, have been open for more than two years ("Mature Restaurants") and 8, or 11%, have been open for less than two years ("New Restaurants"). SSSG of Mature Restaurants for the quarter increased by 2.6%, (+1.1% excluding the FX impact), while SSSG of New Restaurants increased by 1.6% (also +1.6% excluding the FX impact, as these were all Canadian based restaurants).

This relatively strong performance of New Restaurants relative to Mature Restaurants (excluding FX) runs counter to what often occurs. For example in the fourth quarter of 2014, SSSG of Mature Restaurants increased 7.1% (+5.9% excluding the FX impact), whereas SSSG of New Restaurants declined 7.3%. This decrease is largely due to a decline in sales during the second year of operation of some restaurants, especially in smaller cities and towns where guest traffic is typically high during the opening year. However, in the first quarter of 2015, SSSG for Mature Restaurants were impacted by larger declines in a select few high volume restaurants. At the same time, New Restaurants performed reasonably well.

The Company has structured the consideration payable to Franworks for New Restaurants rolled into the Royalty Pool on April 1st of each year in such a way as to minimize the impact of the

aforementioned second year sale decrease. Only restaurants open for at least 365 days on April 1st each year are eligible to be rolled into the Royalty Pool and the consideration payable therefor is calculated on the actual sales for the first 12 months in which the new restaurant is included in the Royalty Pool (see “Five New Restaurants Added to the Royalty Pool”) above for further details.

Store Openings / Closings

From September 1, 2013 to April 1, 2014, five new restaurants were opened (one Original Joe’s in Calgary, Alberta, one Original Joe’s in Saskatoon Saskatchewan, and one Original Joe’s in Winnipeg, Manitoba; and two State & Main restaurants in Ontario). One Elephant & Castle in Huron Chicago in the Royalty Pool closed in December 2014. Four net new restaurants (five added, one closed) were added to the Royalty Pool on April 1, 2015.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2015

Revenue

Revenue was \$2.9 million in the first quarter of 2015, as compared with nil in the same quarter of 2014. The Company closed the Franworks Acquisition on September 26, 2014 and therefore did not have any royalty income in the same quarter of 2014.

Salaries, Benefits and Stock-based Compensation

Salaries and benefits were \$0.2 million in the first quarter of 2015, as compared with approximately \$0.2 million in the same quarter of 2014. As shown in the table above under the heading “Distributable Cash”, savings in salaries and benefits were achieved in the first quarter of 2015 over the prior period when expressed in thousands of dollars. This reflects the fact that the Company closed its office in Oakville at the end of March 2014 and reduced overall head count. Stock-based compensation was \$0.05 million in the first quarter of 2015, as compared with \$0.09 million in the same quarter of 2014.

General & Administrative Costs

General and administrative costs were \$0.1 million in the first quarter of 2015, as compared with \$0.2 million in the same quarter of 2014. The majority of the variance can be explained through reduced rent with the closure of the Oakville office at the end of March 2014, and a reduction in the monthly fee for the Maxam Services agreement as described below under the heading “Transactions with Related Parties” (monthly fee was reduced from approximately \$30,000 to \$9,000 effective September 29, 2014 as it was amended to include only rent and administrative services).

Professional Fees

Professional fees were \$0.09 million in the first quarter of 2015, as compared with \$0.03 million in the same quarter of 2014. These fees are comprised of legal, audit and tax, and consulting services. The rise from last year primarily relates to work resulting from changes to the business in light of the completion of the Franworks transaction on September 26, 2014.

Normalized EBITDA and Distributable Cash Flow

Please see the table above under the heading “Distributable Cash” for calculations of Normalized EBITDA and Distributable Cash Flow.

As the Franworks transaction closed on September 26, 2014, the first quarter of 2015 marks the second full quarter with royalty revenue for the Company. Normalized EBITDA was \$2.5 million in the first quarter of 2015, with revenue of \$2.9 million less ongoing costs of \$0.4 million (Salaries and benefits - \$0.2 million; General and administration - \$0.1 million; and Professional fees - \$0.1 million). After \$0.2 million in cash interest, the Company generated \$2.3 million in Distributable Cash (\$0.03 per share).

Litigation

Litigation expenses were \$0.7 million in the first quarter of 2015, as compared with \$0.05 million in the same quarter of 2014. The primary reason for the increase relates to legal fees related to the John Bennett related litigation. Additional information on the John Bennett related litigation and the claim by a US contractor is discussed below under the heading “Contingencies and Provisions”.

Finance Income

Finance income was \$0.1 million in the first quarter of 2015, as compared with \$0.2 million in the same quarter in 2014. This change reflects the fact that the Company deployed virtually all of its cash in the Franworks Acquisition on September 26, 2014. Subsequently on November 12, 2014, the Company completed its \$34.5 million bought deal offering, substantially increasing its cash position.

Finance Costs

Finance costs were \$0.3 million in the first quarter of 2015 as compared with \$0.01 million in the first quarter of 2014. The finance costs for the first quarter of 2015 included interest of \$0.2 million on the \$15 million loan, \$0.02 million in amortization of deferred financing costs related to the loan, and \$0.04 million in net foreign exchange losses.

Deferred Income Tax Expense

During the first quarter of 2015, the Company recorded a deferred income tax expense of \$0.4 million as compared with an expense of nil in the first quarter of 2014.

The Company’s deferred tax asset of \$9.9 million primarily relates to the company’s non-capital losses of approximately \$35 million. Given the anticipated monthly royalty income to be received from Franworks, the Company expects to be able to utilize these non-capital losses over the next few years, and as such, has recognized this asset on the balance sheet.

Net Income

Net income for the first quarter of 2015 was \$1.2 million or a basic and diluted earnings per share of \$0.02 compared to a net loss of \$0.4 million or a basic and diluted loss per share of \$0.01 for the first quarter of 2014.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

At March 31, 2015 the Company had cash and equivalents of \$33.1 million and net working capital (including cash) of \$32.3 million compared to cash and equivalents of \$34.5 million and net working capital (including cash) of \$33.9 million at December 31, 2014. On September 26, 2014, the Company completed the Franworks Acquisition where it used the majority of its cash and equivalents. Going forward, it is the Company's policy to distribute what it believes to be a sustainable dividend to provide a consistent return to shareholders. On November 12, 2014 the Company raised gross proceeds of \$34.5 million from the Offering (for further details see "Corporate Update" above).

Term Loan

The Partnership, a subsidiary of the Company, has a \$15 million non-revolving term loan facility, which bears interest at published three-month Canadian dollar banker's acceptance rates ("BA Rate") plus 4.15% per annum. The facility was arranged on September 26, 2014 to partially finance the purchase of the FW Rights from Franworks, and to provide term debt as part of the Company's consolidated capital structure. The term loan is subject to certain financial covenants, including a covenant to maintain a funded debt to normalized EBITDA ratio of not more than 1.6:1.0. As at March 31, 2015, the Company and the Partnership are in compliance with all financial covenants associated with this facility.

Operating Line of Credit

The Partnership, a subsidiary of the Company has a \$2 million operating line of credit which bears interest at BA Rate plus 4.50% per annum. This operating line is intended for general working capital purposes or, if required, to help finance periodic differences between receipt of the royalty payments (which may vary due to small seasonal variations in the gross sales of those restaurants in the Royalty Pool), and payment of dividends to shareholders. As at March 31, 2015, the entire \$2 million remains available for use and is undrawn.

Cash from Operating Activities

For the three months ended March 31, 2015, cash provided by operations amounted to \$1.8 million as compared to cash used by operations of \$0.2 million for the three months ended March 31, 2014. The \$1.8 million source of cash was a primarily a result of the operating income of \$1.8 million, net of \$0.2 million of finance costs, \$0.05 million of non-cash share-based compensation, net of changes in non-cash working capital of \$0.1 million.

The \$0.2 million use of cash for the three months ended March 31, 2014 was a function of the \$0.6 million operating loss, net of \$0.2 million of finance income, \$0.09 million of non-cash share-based compensation, net of changes in non-cash working capital.

Cash from Financing Activities

Cash used in financing activities during the three months ended March 31, 2015 was \$3.2 million, reflecting \$3.2 million in dividend payments. Cash flows associated with financing activities during the same period in 2014 were nil.

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(millions)	Carrying amount	Contractual cash flow	2015	2016	2017	2018	Thereafter
Tenure agreement	\$ 0.60	\$ 0.61	\$ 0.06	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.31
Accounts payable and accrued liabilities	0.47	0.47	0.47	-	-	-	-
Long-term bank loan	14.80	17.00	0.60	0.80	15.60	-	-
Total contractual obligations	\$15.87	\$18.08	\$1.13	\$0.88	\$15.68	\$ 0.08	\$0.31

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, royalty receivable from Franworks, other accounts receivable, accounts payable and accrued liabilities, provisions, long-term liability, employee RSU obligation and a long-term bank loan.

The fair values of the royalty receivable from Franworks, other accounts receivable, accounts payable and accrued liabilities, and provisions approximate their carrying amounts, largely due to the short-term maturities of these instruments. The fair value of the long-term liability and employee RSU obligations are adjusted quarterly to reflect current assumptions. The fair value of the long-term bank loan is not materially different from its carrying value as the variable interest rate on the facility would not be significantly different from the current market rate of interest due to the considerable security held by the banking syndicate. The Company does not have financial instruments for hedging or speculative purposes.

CONTINGENCIES AND PROVISIONS

The following outlines contingencies and provisions with respect to the Company. See note 8 of the interim consolidated financial statements for greater detail.

Mr. Bennett's Indemnity Claim

John Bennett ("Bennett"), founder and CEO of the Company until early 2004, is charged with conspiracy to defraud and major fraud against the United States between 2001 and mid-2004. The Company and two former vice presidents (both of whom left the Company in 2004) have plead guilty to this same conspiracy against the United States.

Bennett was extradited to the United States in November 2014 and is expected to be tried in November 2015. The Company has been ordered by the courts to reimburse Bennett for the reasonable legal costs he has incurred and will incur in connection with his criminal defense.

The Company has accrued for Bennett's legal costs incurred and reimbursable to him as at March 31, 2015. The cost to the Company in respect of his future legal expenses will be recorded when these expenses are known and the amounts reimbursable to him can be reasonably estimated.

If Bennett is acquitted, the Company's insurer is responsible for Bennett's legal costs. If Bennett is found guilty, the Company will be required to reimburse its insurance underwriter for all amounts advanced to Bennett and the Company will be entitled to reimbursement from Bennett. The Company's ability to obtain reimbursement will depend on its ability to identify and obtain recourse against Bennett's assets, including, without limitation, the balance of any payments then still due to Bennett under the Reward for Tenure Agreement referred to in note 9 of the interim consolidated financial statements.

Liability to Insurance Underwriter

The Company expects to receive reimbursement from its insurance underwriter in the amount of approximately \$0.5 million (period ended March 31, 2014 - \$0.1 million) for Bennett's legal expenses incurred in connection with his criminal defense through 2014, as described above under the heading "Mr. Bennett's Indemnity Claim". This expected reimbursement has been recorded as amounts receivable as described in note 5 to the accompanying interim consolidated financial statements. Under its funding agreement with the underwriter, as noted above, the Company expects to be required to repay all legal costs it recovers from the underwriter in the event that Bennett is found guilty. The Company has cash resources available to settle the estimated liability that may result from this requirement.

Claim by US Contractor

During 2008, a prime contractor (Sevenson) on a US Federal Government project ("Project") filed a complaint against the Company and many other persons in a US court. Initially, the complaint also named a director and officer, an officer and a senior manager, all of whom are no longer with the Company and some of whom were involved in, and pleaded guilty to, the

conspiracy to defraud the United States as describe above under the discussion related to Mr. Bennett's Indemnity Claim.

During the first quarter of 2009, the Court stayed all proceedings in this matter pending the conclusion of the Antitrust Division of the United States Department of Justice investigation into the same matter. On November 18, 2014, the stay was lifted.

On February 11, 2015, Severson filed its third amended complaint against the Company and a reduced number (15) of other persons, but no longer any persons formerly associated with the Company. The complaint alleges that employees of the Company conspired with an employee of the prime contractor relating to, among other things, the awarding of contracts during the years 2002 through 2004. Of the 22 counts in the complaint, only 6 name the Company as a defendant. The complaint seeks not less than approximately \$1.1 million US plus the value of additional gratuities from the Company.

Counsel for the Company have brought a motion to dismiss the third amended complaint for failure to plead enough facts to state a claim for relief that is plausible on its face. Success of this motion is not determinable at this time. If successful, the complaint will be dismissed as against the Company. If the Company is not successful on the motion, management intends to defend against this claim vigorously. Management considers that it is not probable that a liability will result and no amount has been recorded in the Company's financial statements in respect of the complaint.

TRANSACTIONS WITH RELATED PARTIES

The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company's President and CEO and one of the Company's directors are co-founders and managing partners of Maxam Capital Corp ("Maxam"). The Company entered into a services agreement (the "Services Agreement") with Maxam whereby Maxam provided, effective as of January 1, 2014, accounting, tax and public company compliance services, head office and infrastructure services and transaction support services to the Company. Pursuant to the Services Agreement, the Corporation paid Maxam a monthly service fee of approximately \$30,000 plus reasonable out of pocket expenses. Effective September 29, 2014, this Services Agreement was terminated, and a new services agreement with Maxam was entered into whereby the monthly service fee was reduced to approximately \$9,000 per month and includes only rent and administrative services. Chief Financial Officer services were removed. On September 29, 2014, the Company's then CFO (a Vice President at Maxam Capital) entered into a consulting services agreement with the Company, pursuant to which, his holding company provided his services as interim CFO to the Company for a period of three months, in return for a monthly fee of \$12,500. This agreement was extended to January 31, 2015 and then terminated when the Company hired a permanent CFO.

On September 29, 2014, the Company agreed to a services agreement with the Company's CEO's holding company (the "CEO Agreement"), pursuant to which, his holding company will provide his services as CEO to the Company in return for an annual service fee of \$200,000 per

annum until September 2015, and \$287,500 per annum for the first two years thereafter, subject to adjustments. In addition, the CEO Agreement provides for payment of an incentive bonus based upon increases in the Company's aggregate cash dividends, the grant of 250,000 RSU's, and a lump sum signing bonus of \$125,000. During 2013 and in conjunction with Mr. Morrison joining the Company as its President and Chief Executive Officer, a fund to be created by Maxam was granted a right to invest in the Company. At the time this right was granted to Maxam, Maxam and the Company were not related. This right was exercised by Maxam Opportunities Fund II LP on September 26, 2014, whereby it acquired 5,240,964 common shares at a price of \$1.66 per share in a private placement in connection with the closing of the Franworks Acquisition.

As at March 31, 2015, Franworks is considered to be a related party of the Company by virtue of common directors of Franworks and the Company. The Company receives royalty payments from Franworks and through the Partnership. In connection with the Franworks Acquisition, the Company and Franworks entered into several agreements related to the licence of the FW Rights, the governance of the Partnership and the security of the royalty payable by Franworks. For full particulars of these agreements, reference should be made to the Company's Annual Information Form dated March 25, 2015 for the fiscal year ended December 31, 2014, a copy of which is available under the Company's profile at www.sedar.com.

SHARE CAPITAL

The number of common shares outstanding at May 12, 2015 was 70,365,901. This increased from December 31, 2014 due to 1,835,728 common shares issued in a private placement to Franworks as part of the annual Royalty Pool Adjustment, which occurred on April 1, 2015 as discussed above under the heading "Five New Restaurants Added to the Royalty Pool". There were 705,500 stock options outstanding as at May 12, 2015 exercisable at prices from \$1.50 to \$2.12 per share. No stock options have been issued since August 2013. The Company issued 250,000 RSU's effective September 29, 2014. Subsequent to quarter end, effective April 21, 2015, the Company issued an aggregate of 87,420 RSU's to certain of its directors and its Chief Financial Officer which vest over three years.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors, and the restaurant industry along with various other assumptions that are believed to be reasonable under the circumstances.

Significant estimates and judgments made by management in the application of IFRS that have a significant effect on the amounts recognized in these condensed consolidated interim financial statements are as follows:

Intangible Assets

DIV carries the FW Rights at historical cost comprising the amount of consideration paid for the FW Rights. DIV tests the FW Rights for impairment annually, which requires that the Company use a valuation technique to determine if impairment exists. This valuation technique is dependent on a number of different variables which requires management to exercise judgment, and as a result, the estimated net cash flows the FW Rights are expected to generate could differ materially from actual results.

Fair value of Class B, C and D Partnership units (“Exchangeable Partnership Units” or “Exchangeable units”)

The Company does not assign any value to the Exchangeable Partnership Units as they do not currently meet the relevant criteria for exchange into common shares of DIV (see note 7 in the interim consolidated financial statements for further information).

Consolidation

Applying the criteria outlined in IFRS 10, judgment is required in determining whether DIV controls the Partnership. Making this judgment involves taking into consideration the concepts of power over the Partnership, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of the Partnership so as to generate economic returns. Using these criteria, management has determined that DIV ultimately controls the Partnership through its 90% ownership of the GP.

CHANGES IN ACCOUNTING POLICIES

The interim condensed consolidated financial statements accompanying this MD&A have been prepared using the same accounting principles and policies as the Company’s annual financial statements for the year ended December 31, 2014.

DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Company’s financial performance and its ability to pay dividends. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Company than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

In addition to financial measures prescribed by IFRS, “Normalized EBITDA”, “distributable cash” and “same store sales growth” are used as non-IFRS measures in this MD&A.

Normalized EBITDA

References to “Normalized EBITDA” in this MD&A are references to revenue (determined in accordance with IFRS) less ongoing not excluding unusual expenses before amounts for interest, taxes and depreciation and amortization. While Normalized EBITDA is not a recognized measure under IFRS, management of the Company believes that, in addition to net income, Normalized EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, working capital needs and capital expenditures. Investors should be cautioned, however, that Normalized EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies used by the Company to determine Normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, Normalized EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that Normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of an issuer’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Distributable Cash

Distributable Cash is defined as Normalized EBITDA less cash interest paid on the term loan. Distributable cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers.

Management believes that Distributable Cash provides investors with useful information about the amount of cash the Company has generated to cover distributions on the shares during the period. The preceding table under the heading “Distributable Cash” provides a reconciliation from this non-IFRS financial measure to net income (loss).

Same Store Sales Growth

Same store sales growth is the percentage increase in same store sales over the prior comparable period. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, DIV and Franworks believe that same store sales growth is a useful measure as it provides investors with an indication of the change in year-over-year sales of FW Restaurants. DIV’s and Franworks’ method of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the issuer's financial position or performance. IFRS also requires that notes to the financial statements information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such financial measures outside the minimum mandated line items are considered additional IFRS measures. The condensed consolidated interim financial statements of the Company and the notes thereto include certain additional IFRS measures where management considers such information to be useful to understanding the Company's financial results.

RISK FACTORS

Information on "Risk Factors" can be found in the Company's Annual Information Form dated March 25, 2015 for the fiscal year ended December 31, 2014, a copy of which is available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A, and documents referred to herein, may constitute "forward-looking information" within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is generally identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and DIV's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding DIV's future economic performance. DIV has based these forward-looking statements on DIV's current expectations about future events. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: DIV's intention to purchase additional top-line royalties from growing multi-location businesses and franchisors; DIV's intention to make regular monthly cash dividends; ongoing litigation with John Bennett; ongoing litigation with a contractor in relation to the Project; the expected tax treatment of DIV's dividends to shareholders; DIV's access to available sources of debt and equity financing; DIV's intended use of the proceeds of the Offering; the amount and timing of the payment for the remaining consideration payable to Franworks by the Company for the net new royalty revenue from the five Franworks restaurants added to the Royalty Pool; and the completion of an audit of the gross sales of the five Franworks restaurants added to the Royalty Pool.

Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Company, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties from Franworks and adjustments thereto; the amount and timing of the payment of the additional consideration payable by the Company to Franworks for the net new royalty from the five additional Franworks restaurants added to the Royalty Pool on April 1, 2015; that the results of the audit to be completed on the gross sales of the five new Franworks restaurants added to the Royalty Pool on April 1, 2015 will be satisfactory to the Company; the ability to acquire and effect of additional top-line royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company and Franworks; the ability to receive equity and/or debt financing on acceptable terms; tax laws not being changed so as to adversely affect DIV's financing capability, operations, activities, structure or distributions; the ability to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's operations; and competition for acquisitions, will be consistent with the economic climate. Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Company's management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Company's high dependency on the operations of Franworks (as defined herein); the closure of restaurants by Franworks, failure to successfully prosecute the Elephant & Castle trademark application in the United States; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance; dividends are discretionary; the unpredictability and volatility of prices of the Company's common shares; leverage and restrictive covenants; current economic conditions; failure to access financing; credit facilities risk; the financial health of Franworks and cash flows; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; dependence on business of Franworks to fund dividends; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; foreign exchange exposure; the litigation with John Bennett; and any residual liability arising from its former St. Ambroise plant. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under "*Risk Factors*" and elsewhere in this MD&A. The information contained in this MD&A, including the documents referred to herein, identifies additional factors that could affect the operating results and performance of the Company. Readers are urged to carefully consider those factors.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by this cautionary statement. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. The forward-looking information is made as of the date of this MD&A (or in the case of information contained in a document referred to herein, as of the date of such document), and the Company assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law.