Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three months ended March 31, 2016 and 2015

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Note	March 31, 2016	December 31, 2015
Assets			
Current assets:			
Cash and cash equivalents		$ 6,454	$ 8,889
Royalties and management fees receivable	4	2,602	2,280
Amounts receivable	5	1,675	29
Prepaid expenses and other		94	75
		10,825	11,273
Deferred income tax asset	6	8,361	9,115
Intangible assets	7	284,147	284,147
		$ 303,333	$ 304,535
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 933	$ 914
Provisions	8	9,031	6,419
		9,964	7,333
Long-term bank loans, net of deferred financing charges	9	55,441	55,388
Interest rate swap liabilities	10	301	297
Shareholders' equity:			
Share capital	11	230,658	230,357
Contributed surplus		8,661	8,542
Retained earnings (accumulated deficit)		(1,692)	2,618
		237,627	241,517
		$ 303,333	$ 304,535

Nature of operations (note 1)
Contingencies (note 8)
Subsequent events (note 15)

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Note	Three months ended March 31, 2016	2015
Royalty income	4	$ 6,914	$ 2,916
Management fees		75	-
		6,989	2,916
Expenses			
Salaries and benefits		306	178
Share-based compensation		119	54
General and administration		118	139
Professional fees		64	86
Litigation	8	3,331	695
		3,938	1,152
Income from operations		3,051	1,764
Interest expense on credit facilities		(554)	(198)
Other finance income, net	13	306	45
Fair value adjustment on interest rate swaps	10	(4)	-
Income before income taxes		2,799	1,611
Income tax expense	6	754	421
Net income and comprehensive income		$ 2,045	$ 1,190
Basic weighted average number of shares outstanding		113,115,086	68,530,173
Diluted weighted average number of shares outstanding		113,196,883	68,727,432
Basic income per share		$ 0.02	$ 0.02
Diluted income per share		$ 0.02	$ 0.02

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Total equity
Balance, January 1, 2016		$ 230,357	$ 8,542	$ 2,618	$ 241,517
Common shares issued on DRIP	11	301	-	-	301
Share-based compensation		-	119	-	119
Dividends declared		-	-	(6,292)	(6,292)
Dividends payable to OJFG	7	-	-	(63)	(63)
Comprehensive income		-	-	2,045	2,045
Balance, March 31, 2016		$ 230,658	$ 8,661	$ (1,692)	$ 237,627

	Note	Share capital	Contributed surplus	Retained earnings	Total equity
Balance, January 1, 2015		$ 115,013	$ 8,210	$ 14,414	$ 137,637
Dividends declared		-	-	(3,228)	(3,228)
Comprehensive income		-	-	1,190	1,190
Balance, March 31, 2015		$ 115,013	$ 8,210	$ 12,376	$ 135,599

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended March 31, 2016	2015
Cash flows from (used in) operating activities:		
Net income for the period	$ 2,045	$ 1,190
Adjustments for:		
Dividends accrued but not paid	(63)	-
Unwinding of discount on financial liabilities	-	15
Amortization of deferred financing charges	53	17
Share-based compensation	119	54
Fair value adjustments on interest rate swaps	4	-
Changes in non-cash operating items:		
Royalties and management fees receivable	(322)	3
Amounts receivable	(1,646)	(40)
Prepaid expenses and other	(19)	18
Deferred income taxes	754	421
Accounts payable and accrued liabilities	19	(141)
Provisions	2,612	289
Repayment of long-term liability	-	(20)
Net cash provided by operating activities	3,556	1,806
Cash flows used in financing activities:		
Payment of dividends	(5,991)	(3,228)
Net cash used in financing activities	(5,991)	(3,228)
Net decrease in cash and cash equivalents	(2,435)	(1,422)
Cash and cash equivalents, beginning of period	8,889	34,511
Cash and cash equivalents, end of period	$ 6,454	$ 33,089

See accompanying notes to condensed consolidated interim financial statements.

Diversified Royalty Corp., ("DIV"), formerly BENEV Capital Inc. and prior to that Bennett Environmental Inc., is a company domiciled in Canada and incorporated on July 29, 1992 under the Canada Business Corporation Act. The condensed consolidated interim financial statements of DIV as at and for the three months ended March 31, 2016 are composed of DIV and its subsidiaries (together referred to as the "Company"). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") and traded under the symbol "DIV". The registered office of the Company is located at 902-510 Burrard Street, Vancouver, BC, V6C 3A8.

1. Nature of operations:

The current business of DIV is to acquire royalties from well-managed multi-location businesses in North America.

On September 26, 2014, the Company completed the acquisition (the "Franworks Acquisition"), through FW Royalties Limited Partnership ("FW LP") (an entity controlled by the Company), of all of the Canadian and U.S. trademarks and other intellectual property rights related to the Original Joe's, Elephant & Castle and State & Main restaurant businesses (the "FW Rights") from a wholly owned subsidiary of Franworks Franchise Corp. ("Franworks"). The Company granted Franworks the licence to use the FW Rights for a term ending on December 31, 2113 in exchange for a royalty payment initially equal to 6.0% of system sales of the Franworks restaurants in the royalty pool (the "Franworks Royalty Pool").

On June 19, 2015, the Company completed its second royalty acquisition, whereby it indirectly acquired (the "Sutton Acquisition"), through SGRS Royalties Limited Partnership ("SGRS LP") (an entity controlled by the Company), all of the Canadian and U.S. trademarks and certain other intellectual property rights utilized by Sutton Group Realty Services Ltd. ("Sutton") in its residential real estate franchise business (the "Sutton Rights"). The Company granted Sutton the licence to use the Sutton Rights for a term ending on December 31, 2114 in exchange for a royalty payment initially equal to $56.25 per agent per month (the "Sutton Royalty Rate") for the number of agents included in the royalty pool (the "Sutton Royalty Pool").

On August 19, 2015, the Company completed its third royalty acquisition, whereby it indirectly acquired (the "Mr. Lube Acquisition") through ML Royalties Limited Partnership ("ML LP") (an entity controlled by the Company), the trademarks and certain other intellectual property rights (the "ML Rights") from Mr. Lube Canada Limited Partnership ("Mr. Lube"). The Company granted Mr. Lube the licence to use the ML Rights for a term ending on August 19, 2114 in exchange for a royalty payment initially equal to 6.95% of system sales of Mr. Lube locations in the royalty pool (the "Mr. Lube Royalty Pool").

Substantially all of the Company's operating revenues are earned from the receipt of royalties and management fees from Franworks, Sutton and Mr. Lube. Accordingly, the revenues of the Company and its ability to pay dividends to shareholders are dependent on the ongoing ability of Franworks, Sutton, and Mr. Lube to generate cash and pay royalties and management fees to the Company.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated financial statements were authorized and approved for issue by the Company's Board of Directors on May 16, 2016.

2. Basis of preparation (continued):

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for the interest rate swaps, which are measured at fair value.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The critical judgments and key estimates and assumptions are the same as described in the Company's annual financial statements for the year ended December 31, 2015.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared using the same accounting policies as the annual financial statements for the year ended December 31, 2015, except as described below.

(a) Changes in accounting policies and disclosures:

Effective January 1, 2016, the Company adopted the amendments to IAS 1, *Presentation of Financial Statements*. These amendments do not require any significant change to current practice, but will facilitate improved financial statement disclosures. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

(b) New standards applicable in future periods:

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The mandatory effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9"), replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the 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. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. Significant accounting policies (continued):

(b) New standards applicable in future periods (continued):

In January 2016, the IASB issued amendments to IAS 7, *Statement of cash flows* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The mandatory effective date for these amendments is for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

In January 2016, the IASB issued amendments to IAS 12, *Income taxes*. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset, and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The mandatory effective date for these amendments is for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

4. Royalty pool:

	March 31, 2016	December 31, 2015
Royalties and management fees receivable:		
Franworks	$ 1,121	$ 1,122
Sutton	315	315
Mr. Lube	1,166	843
	$ 2,602	$ 2,280

(a) Franworks:

Royalty income from Franworks for the three months ended March 31, 2016 and 2015 were calculated as follows:

Expressed in thousands of Canadian dollars, except for number of restaurants	Three months ended March 31, 2016	2015
Restaurants in the Franworks Royalty Pool	82	78
Franworks Royalty Pool system sales	$ 48,097	$ 46,958
Royalty income	2,942	2,916

During the three months ended March 31, 2016, royalty income includes make-whole payments totaling $0.06 million (2015 - $0.1 million) on lost system sales of $0.9 million (2015 - $1.7 million) related to renovations.

4. Royalty pool (continued):

(b) Sutton:

Royalty income from Sutton for the three months ended March 31, 2016 was calculated as follows:

Expressed in thousands of Canadian dollars, except for number of agents and the Sutton Royalty Rate	Three months ended March 31, 2016	2015
Agents in the Sutton Royalty Pool	5,185	n / a
Sutton Royalty Rate (per agent per month)	$ 56.25	$ -
Royalty income	875	-

(c) Mr. Lube:

Royalty income from Mr. Lube for the three months ended March 31, 2016 was calculated as follows:

Expressed in thousands of Canadian dollars, except for number of locations	Three months ended March 31, 2016	2015
Locations in the Mr. Lube Royalty Pool	117	n / a
Mr. Lube Royalty Pool system sales	$ 44,539	$ -
Royalty income	3,097	-

5. Amounts receivable:

	March 31, 2016	December 31, 2015
Insurance proceeds (note 8(b))	$ 1,658	$ -
GST receivable	17	24
Interest receivable	-	5
	$ 1,675	$ 29

Subsequent to March 31, 2016, the Company received proceeds of $2.1 million (or US$1.6 million) from its insurance underwriter (note 8(b)).

6. Deferred income taxes:

The Company’s net deferred tax asset of $8.4 million (December 31, 2015 - $9.1 million) is comprised of a gross deferred tax asset of $12.0 million (December 31, 2015 - $11.8 million) less a deferred tax liability of $3.6 million (December 31, 2015 - $2.7 million). This deferred tax asset largely relates to the Company’s non-capital losses of approximately $28.5 million (December 31, 2015 - $30.4 million). Given the anticipated monthly royalty income to be received from Franworks, Sutton, and Mr. Lube, the Company expects to be able to utilize these non-capital losses during the carry forward period, and as such, recognized this deferred tax asset on the balance sheet as at March 31, 2016 and December 31, 2015. The deferred tax liability is largely associated with the temporary differences on the Company’s eligible capital expenditures related to the FW Rights, Sutton Rights, and ML Rights, which has a tax cost base of approximately $180.1 million (December 31, 2015 - $183.3 million).

(Expressed in thousands of Canadian dollars)

7. Intangible assets:

The Company's intangible assets are composed of the FW Rights, Sutton Rights and ML Rights.

On April 1, 2015, the Franworks Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the U.S. that was permanently closed ("2015 Franworks Royalty Pool Amendment"). The initial consideration for the estimated net additional royalty revenue was approximately $4.9 million representing 80% of the total estimated consideration of $6.2 million payable to Franworks for such additional royalty revenue. The consideration was 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 to Franworks' wholly owned subsidiary, Original Joe's Franchise Group Inc. ("OJFG").

Based on the audited gross sales in 2015 of the net new stores added to the Franworks Royalty Pool on April 1, 2015, the total consideration for the net additional royalty revenue is $6.7 million. After taking into account the 1,835,728 DIV shares previously issued to OJFG on April 1, 2015, the Company will issue 637,051 DIV shares to OJFG. The Company has accrued $0.1 million of dividends payable related to these DIV shares.

On March 24, 2016, DIV, FW LP, Franworks Royalties GP Inc., and OJFG entered into an extension agreement pursuant to which the parties agreed to: i) extend the date for the payment of the 637,051 DIV shares to OJFG in respect of the 2015 Franworks Royalty Pool Amendment from April 1, 2016 to April 3, 2017; and (ii) extend the deadline under the Franworks licence and royalty agreement from March 26, 2016 to April 3, 2017 for the expenditure by OJFG of $8.0 million to refurbish and renovate certain Elephant & Castle restaurants in the Franworks Royalty Pool.

8. Provisions and contingencies:

	John Bennett Indemnity Claim	Insurance Underwriter Provision	Other	Total
	(a)	(b)		
Balance, December 31, 2014	654	745	100	1,499
Provisions made during the period	5,228	2,734	-	7,962
Provisions used during the period	(3,351)	-	-	(3,351)
Change in foreign exchange rate	23	286	-	309
Balance, December 31, 2015	2,554	3,765	100	6,419
Provisions made during the period	3,052	2,463	-	5,515
Provisions used during the period	(2,521)	-	-	(2,521)
Change in foreign exchange rate	(113)	(269)	-	(382)
Balance, March 31, 2016	$ 2,972	$ 5,959	$ 100	$ 9,031

8. Provisions and contingencies (continued):

The liability to the insurance underwriter shown above is partially offset by $1.7 million of insurance proceeds receivable (note 5).

(a) John Bennett indemnity claim:

In 2009, John Bennett, CEO of the Company until early 2004, was charged with conspiracy to commit fraud 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) pled guilty to this same conspiracy against the United States.

In 2010, the Company was ordered by the courts to reimburse Mr. Bennett on an interim basis (the “Interim Order”) for reasonable legal costs he would incur in connection with his criminal defense, subject to a reasonableness test as well as the obligation to repay the amounts advanced to him if it was ultimately determined that he was not entitled to indemnification because he did not act honestly and in good faith and with a view to the best interests of the Company.

In 2013, the Company brought a motion to challenge the reasonableness of some of Mr. Bennett’s legal costs and was successful in part. In 2013, the Company also brought a motion to set aside the Interim Order but was unsuccessful.

In November 2014, Mr. Bennett was extradited to the United States.

In September 2015, the Company brought a motion to challenge the reasonableness of Mr. Bennett’s legal costs incurred between 2013 and the date of the motion. In January 2016, the Ontario court ruled on the motion and decided that the majority of all the legal expenses that the Company was challenging were reasonable, except for a nominal amount of $0.05 million.

Mr. Bennett was tried between February 22, 2016 and March 16, 2016. On March 16, 2016, the jury returned a guilty verdict on both counts (conspiracy to commit fraud and major fraud against the United States).

Upon learning of the guilty verdict, the Company brought an urgent motion to have the Interim Order set aside. On March 17, 2016, the court granted a temporary stay of the Interim Order pending the hearing of the Company’s motion. The motion was heard on April 4, 2016, and the Ontario court found that the guilty verdict was still subject to confirmation by the trial judge in the United States. The Ontario court ruled that, as Mr. Bennett had brought a motion to set aside the verdict and require a new trial, the Interim Order should remain in place at this time and the Company is still obligated to pay Mr. Bennett’s legal costs. The ruling on the confirmation of Mr. Bennett’s verdict by the trial judge in the United States is expected to occur on or before his sentencing date of June 27, 2016.

The Company has sought leave to appeal the decision to leave the Interim Order in place and brought an urgent motion for another temporary stay of the Interim Order pending the result of the motion for leave to appeal, but the motion for another temporary stay of the Interim Order was heard and denied on April 11, 2016.

As the Interim Order remains in place at this time, the Company has accrued all legal costs incurred and reimbursable to Mr. Bennett to date, which includes amounts incurred in April 2016, and is aware that additional costs up to the sentencing date will be incurred and invoiced. Future legal costs associated with the claim against Mr. Bennett are not estimable, and will be accrued upon receipt of the invoice by the Company.

If the trial judge in the United States confirms the guilty verdict and the Interim Order is set aside, then the Company expects that its insurance underwriter will request reimbursement for all amounts advanced to Mr. Bennett through the Company, and the Company will be entitled to reimbursement from Mr. Bennett. Its ability to obtain reimbursement will depend on its ability to identify and obtain recourse against Mr. Bennett’s assets.

(b) Insurance underwriter provision:

The Company has received reimbursements from its insurance underwriter for Mr. Bennett’s legal costs incurred in connection with his criminal defense, and as described in section (a) of this note. As at March 31, 2016, the Company has recovered $4.3 million (or US$3.3 million) from the insurance underwriter. As the Interim Order remains in place at this time, the Company expects to continue receiving reimbursements from its insurance underwriter, and has recorded a $1.7 million (or US$1.3 million) receivable from the insurance underwriter as at March 31, 2016 (note 5).

8. Provisions and contingencies (continued):

(b) Insurance underwriter provision (continued):

Subsequent to March 31, 2016, the Company received $2.1 million (or US$1.6 million) from its insurance underwriter (note 5).

If the trial judge in the United States confirms the guilty verdict and the Interim Order is set aside, then the Company expects that its insurance underwriter will request reimbursement for all amounts advanced to Mr. Bennett through the Company, and the Company will be entitled to reimbursement from Mr. Bennett.

The Company has adequate resources available to settle the estimated liability that may result from this requirement, which it has accrued in its financial statements.

(c) Additional claims involving John Bennett:

Bennett has also served a claim against Second City Capital Partners I, Limited Partnership (“Second City”), Samuel Belzberg (“Belzberg”) and the Company in 2011. The claim alleges that in September 2009, the Company was in possession of material undisclosed information and that, while in possession of such information, the Company and Belzberg directed Second City to purchase the Company’s common shares from Bennett. Management believes there is no basis for making this allegation against the Company. Accordingly, the Company has made no provision in respect of this matter.

(d) Claim by U.S. contractor:

In 2008, a prime contractor on a U.S. Federal Government project filed a complaint against the Company and many other persons in a U.S. court. This relates to the same matters which are the subject of the John Bennett litigation. 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 described in note 8(a).

In 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, the U.S. contractor filed its third amended complaint against 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 21 counts in the complaint, only six name the Company as a defendant. The complaint seeks not less than approximately $1.1 million U.S. plus the value of additional gratuities from the Company.

Counsel for the Company 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. This motion was not successful. Management intends to defend against this claim vigorously. In October 2015, the Company filed a counterclaim against the U.S. contractor. In December 2015, the Company and the U.S. Contractor agreed to non-binding mediation. This mediation was unsuccessful in resolving this issue.

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.

(Expressed in thousands of Canadian dollars)

9. Borrowings:

As at March 31, 2016, the Company had the following term loan facilities and operating lines of credit:

Term loan facilities	Principal	Interest rate	Maturity date	Unamortized transaction costs	Carrying value
FW LP term loan	$ 15,000	BA + 4.15%	Sep 26, 2017	$ (109)	$ 14,891
SGRS LP term loan	6,300	BA + 2.25%	Jun 19, 2018	(95)	6,205
ML LP term loan	34,600	BA + 2.50%	Aug 19, 2018	(255)	34,345
	$ 55,900			$ (459)	$ 55,441

Operating lines of credit	Maximum available	Interest rate	Maturity date	Amount drawn	Remainder Available for use
FW LP line of credit	$ 2,000	BA + 4.50%	Sep 26, 2017	$ -	$ 2,000
SGRS LP line of credit	500	BA + 2.25%	Jun 19, 2018	-	500
ML LP line of credit	1,000	Prime + 1.50%	Aug 19, 2018	-	1,000
	$ 3,500			$ -	$ 3,500

(a) FW LP term loan and line of credit:

The FW LP term loan and line of credit are 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, 2016, the Company and FW LP were in compliance with all financial covenants associated with this facility.

(b) SGRS LP term loan and line of credit:

The SGRS LP term loan and line of credit are subject to certain financial covenants, including a covenant for SGRS LP to maintain EBITDA for the trailing twelve month period of at least $2.9 million. As at March 31, 2016, SGRS LP was in compliance with all financial covenants associated with this facility.

(c) ML LP term loan and line of credit:

The ML LP term loan and line of credit are subject to certain financial covenants, including a covenant for ML LP to maintain a funded debt to EBITDA ratio of not more than 3.0:1.0. As at March 31, 2016, ML LP was in compliance with all financial covenants associated with this facility.

(Expressed in thousands of Canadian dollars)

10. Interest rate swaps

The interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. The following table summarizes the interest rate swap agreements outstanding as of March 31, 2016:

	Notional amount	Fixed interest rate	Maturity date	Unrealized loss since inception
SGRS LP	$ 6,300	3.41%	Jun 19, 2018	$ 46
ML LP	34,600	3.62%	Aug 13, 2018	255
	$ 40,900			$ 301

11. Share capital:

As at March 31, 2016, the authorized share capital of the Company consists of an unlimited number of common shares. The issued share capital of the Company is as follows:

	Common shares	March 31, 2016 Amount
Balance, beginning of period	113,065,496	$ 230,357
Common shares issued in connection with:		
Dividend reinvestment plan	141,953	301
Balance, end of period	113,207,449	$ 230,658

12. Share-based compensation:

(a) Restricted share units:

The number of RSUs outstanding are as follows:

	March 31, 2016
Balance, beginning of period	433,218
Dividends earned	11,112
Balance, end of period	444,330

(Expressed in thousands of Canadian dollars)

12. Share-based compensation (continued):

(b) Share options:

During the three months ended March 31, 2016, the Company did not issue share options. The following table summarizes information relating to outstanding and exercisable options as at March 31, 2016:

Exercise price	Number of options outstanding and exercisable	Weighted average remaining contractual life (years)
$ 1.50	154,500	2.25
$ 1.79	129,900	2.38
$ 2.12	401,100	0.42
	685,500	1.21

13. Other finance income, net:

	Three months ended March 31, 2016	2015
Foreign exchange gain (loss)	$ 352	$ (36)
Finance income	7	113
Amortization of deferred financing fees	(53)	(17)
Adjustment to and unwinding of discount on financial liabilities	-	(15)
Other finance income, net	$ 306	$ 45

14. Financial instruments:

The Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. The Company's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The carrying value of current financial assets and liabilities approximate their fair value due to their short-term nature. The carrying value of the long-term bank loans approximates their fair value as these facilities bear interest at floating market interest rates. The fair value of the interest rate swap liabilities are measured using Level 2 inputs.

(Expressed in thousands of Canadian dollars)

14. Financial instruments (continued):

The following table presents the carrying amounts of each category of financial assets and liabilities:

	March 31, 2016	December 31, 2015
Assets carried at amortized cost:		
Cash and cash equivalents	$ 6,454	$ 8,889
Royalties and management fees receivable	2,602	2,280
Amounts receivable	1,675	29
	$ 10,731	$ 11,198
Liabilities carried at amortized cost:		
Accounts payable and accrued liabilities	$ 933	$ 914
Long-term bank loans	55,441	55,388
	$ 56,374	$ 56,302
Liabilities carried at fair value:		
Interest rate swap liabilities	$ 301	$ 297
	$ 301	$ 297

15. Subsequent events:

In January 2016, the Company announced that the Board of Directors of the Company have elected to receive all compensation related to 2016 in the form of RSUs. In addition, the Company's President and CEO has elected to receive at least 45% of his base salary related to 2016 in RSUs. The RSUs will be issued quarterly pursuant to the Plan at the five-day weighted average trading price of DIV's common shares as at the end of each quarter. On April 11, 2016, there were 11,811 RSUs granted to three directors and 20,430 RSUs were granted to the Company's President and CEO with a grant date fair value of $2.29 per RSU totaling $0.1 million. These RSUs vest in their entirety on March 31, 2017, and will be settled in common shares.

In addition, on April 11, 2016, the Company issued a total of 39,225 RSUs to three directors at a grant date fair value of $2.29 per RSU totaling $0.1 million. These RSUs vest in their entirety on April 1, 2019, and will be settled in common shares.