Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three months ended March 31, 2018 and 2017

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, 2018	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	5	$ 86,106	$ 85,816
Royalties and management fees receivable	7	3,575	4,008
Amounts receivable		133	150
Prepaid expenses and other		115	96
		89,929	90,070
Interest rate swap assets		288	160
Intangible assets		225,475	225,475
		$ 315,692	$ 315,705
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 2,144	$ 1,354
Restricted share unit obligation	3(c)	-	218
		2,144	1,572
Long-term bank loans, net of deferred financing charges	9	57,800	57,772
Convertible debentures	10	51,056	50,771
Deferred income tax liability	11	4,627	3,463
Shareholders' equity:			
Share capital		182,026	180,906
Contributed surplus		25,388	25,265
Equity component of convertible debentures		2,938	2,938
Accumulated deficit		(10,287)	(6,982)
		200,065	202,127
		$ 315,692	$ 315,705

Nature of operations (note 1)
Contingencies (note 8)
Subsequent events (note 17)

The accompanying notes are an integral part of these 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, except per share amounts)

	Note		Three months ended March 31, 2018		2017
Royalty income	6	$	5,939	$	4,072
Management fees			77		76
			6,016		4,148
Expenses					
Salaries and benefits			405		350
Share-based compensation	13		296		162
General and administration			117		149
Professional fees			56		53
Litigation	8		285		47
			1,159		761
Income from operations			4,857		3,387
Interest expense on credit facilities			(1,245)		(363)
Other finance income, net	14		54		164
Fair value adjustment on interest rate swaps			128		(4)
Income before income taxes			3,794		3,184
Income tax expense	11		1,164		871
Net income and comprehensive income		$	2,630	$	2,313
Basic weighted average number of shares outstanding			106,558,192		105,535,496
Diluted weighted average number of shares outstanding			107,346,220		106,231,432
Basic income per share	12	$	0.02	$	0.02
Diluted income per share	12	$	0.02	$	0.02

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in thousands of Canadian dollars, except for share amounts)

	Common shares	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated deficit	Total equity
Balance, December 31, 2017	106,481,937	$ 180,906	$ 25,265	$ 2,938	$ (6,982)	$ 202,127
IFRS 2 amendments (note 3(c))	-	-	218	-	-	218
Balance, January 1, 2018	106,481,937	180,906	25,483	2,938	(6,982)	202,345
Common shares issued on DRIP	225,659	729	-	-	-	729
Restricted share units settled	169,763	391	(391)	-	-	-
Share-based compensation	-	-	296	-	-	296
Dividends declared	-	-	-	-	(5,935)	(5,935)
Comprehensive income	-	-	-	-	2,630	2,630
Balance, March 31, 2018	106,877,359	$ 182,026	$ 25,388	$ 2,938	$ (10,287)	$ 200,065

	Common shares	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated deficit	Total equity
Balance, December 31, 2016	105,481,136	$ 178,256	$ 25,161	$ -	$ 5,024	$ 208,441
Common shares issued on DRIP	167,993	421	-	-	-	421
Share-based compensation	-	-	107	-	-	107
Dividends declared	-	-	-	-	(5,871)	(5,871)
Comprehensive income	-	-	-	-	2,313	2,313
Balance, March 31, 2017	105,649,129	$ 178,677	$ 25,268	$ -	$ 1,466	$ 205,411

The accompanying notes are an integral part of these 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, 2018	2017
Cash flows from (used in) operating activities:		
Net income	$ 2,630	$ 2,313
Adjustments for:		
Deferred income taxes	1,164	871
Share-based compensation	296	162
Fair value adjustments on interest rate swaps	(128)	4
Interest expense on credit facilities	1,245	363
Other finance income, net	(54)	(164)
Foreign exchange gain (loss)	5	(1)
Interest paid	(489)	(363)
Interest received	362	201
Changes in non-cash operating items:		
Royalties and management fees receivable	433	(41)
Amounts receivable	17	11
Prepaid expenses and other	(19)	(14)
Accounts payable and accrued liabilities	34	(94)
Net cash provided by operating activities	5,496	3,248
Cash flows used in financing activities:		
Payment of dividends	(5,206)	(5,450)
Net cash used in financing activities	(5,206)	(5,450)
Net increase (decrease) in cash and cash equivalents	290	(2,202)
Cash and cash equivalents, beginning of period	85,816	74,974
Cash and cash equivalents, end of period	$ 86,106	$ 72,772

The accompanying notes are an integral part of these 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, 2018 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 and franchisors in North America ("Royalty Partners").

On June 19, 2015, the Company indirectly acquired, 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 "SGRS Rights"). The Company granted Sutton the licence to use the SGRS 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"). Effective July 1, 2017, the Sutton Royalty Rate was increased to $58.523 per agent per month.

On August 19, 2015, the Company indirectly acquired 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"). Effective September 18, 2017, ML LP amended its licence and royalty agreement with Mr. Lube (the "ML LRA Amendment") in connection with Mr. Lube's new retail tire program. Pursuant to the ML LRA Amendment, ML LP has agreed to charge an effective royalty rate payable on system sales derived from the sale of tires and rims of 2.5% (compared to 6.95% on all other system sales) for the locations in the Mr. Lube Royalty Pool.

On August 25, 2017, the Company indirectly acquired through AM Royalties Limited Partnership ("AM LP") (a wholly owned subsidiary of the Company), the Canadian AIR MILES trademarks and certain Canadian intellectual property rights (collectively, the "AIR MILES Rights") from a subsidiary of Aimia Inc. ("Aimia"). In accordance with the terms of two license agreements with LoyaltyOne Co. (collectively the "AIR MILES Licenses") acquired by AM LP as part of acquisition of the AIR MILES Rights, LoyaltyOne Co. has an exclusive right to use the AIR MILES Rights for the purposes of operating the AIR MILES reward program in Canada (the "AIR MILES Program") for an indefinite term in exchange for a royalty payment equal to 1% of gross billings from the AIR MILES Program.

Substantially all of the Company's operating revenues are earned from the receipt of royalties and management fees from its Royalty Partners. Accordingly, the revenues of the Company and its ability to pay dividends to shareholders are dependent on the ongoing ability of its Royalty Partners 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 Finanical 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, 2017.

These condensed consolidated interim financial statements were authorized and approved for issue by the Company's Board of Directors on May 10, 2018.

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 and restricted share unit obligation, 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, 2017.

(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, 2017, except as described below.

(a) *IFRS 15, Revenue from Contracts with Customers*:

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The standard contains a single model that applies to contracts with customers. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 supersedes IAS 18, *Revenue,* and related interpretations.

The Company adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. The adoption of IFRS 15 did not have an impact on the Company's accumulated deficit as at January 1, 2018.

The adoption of IFRS 15 did not have an impact on the Company's condensed consolidated interim statement of financial position as at March 31, 2018 and condensed consolidated interim statement of net income and comprehensive income and condensed consolidated interim statement of cash flows for the three months ended March 31, 2018.

Details of the new significant accounting policies and the nature of the changes to the previous accounting policies in relation to the Company's two revenue streams, royalty income and management fee revenue, are set out below.

- Royalty income: The Company licenses its intellectual property rights to third parties in exchange for royalty payments. The royalty income is recognized based on the usage or sales that have occurred during the period. IFRS 15 did not have an impact on the Company's revenue recognition policies for royalty income.
- Management fee revenue: The Company provides strategic and other services to certain royalty partners in exchange for a fixed monthly fee. Management fee is recognized as earned over the term of the agreement. IFRS 15 did not have an impact on the Company's revenue recognition policies for management fee revenue.

Royalty income and management fees for Mr. Lube and Sutton are usually receivable within 21 days after the calendar month. Royalty income for the AIR MILES Program is usually receivable within 14 days after the calendar quarter.

3. Significant accounting policies (continued):

(b) *IFRS 9, Financial Instruments*:

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") on a retrospective basis. IFRS 9 sets out the requirements for recognizing and measuring financial assets and liabilities. IFRS 9 replaced IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

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. The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities.

	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Royalties and management fees receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Interest rate swap assets	FVTPL	FVTPL
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Long-term bank loans	Financial liabilities at amortized cost	Amortized cost
Convertible debentures	Financial liabilities at amortized cost	Amortized cost

At initial recognition, financial assets classified as amortized cost and fair value through other comprehensive income ("FVOCI") are measured at fair value plus transaction costs that are directly attributable to its acquisition.

- Financial assets at amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held in a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets within this category are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses, impairment losses and gain or loss on de-recognition are recognized in profit or loss.
- Debt investments at FVOCI: A debt instrument is classified as FVOCI if it meets both of the following conditions and is not designated as FVTPL: it is held in a business model whose objective is achieved by collecting contractual cash flows and the sale of the financial asset and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets within this category are subsequently measured at fair value. Interest income, dividend income, foreign exchange gains and losses are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income ("OCI") and are reclassified to profit or loss on de-recognition.

3. Significant accounting policies (continued):

(b) *IFRS 9, Financial Instruments*:

- Equity investments at FVOCI: On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. Financial assets within this category are subsequently measured at fair value. Dividend income and foreign exchange gains and losses are recognized in profit or loss. Other gains and losses are recognized in OCI and are never reclassified to profit or loss.
- Fair value through profit and loss ("FVTPL"): Financial assets not classified as amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial instruments. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. These assets are subsequently measured at fair value, with net gains or losses, including any interest or dividend income, recognized through profit or loss.

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities as amortized cost or FVTPL. Once the classification of a financial liability has been determined, reclassification is not permitted. Under IFRS 9, for financial liabilities that have been designated by the entity as FVTPL, 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.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an has an expected credit loss ("ECL") impairment model. The new impairment model applies to financial assets measured at cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company will elect to use the lifetime ECL approach. Under this approach, the impairment allowance is recorded as a result of all possible default events over the expected life of the financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive) and are discounted at the effective interest rate of the financial asset. The Company considers reasonable and supportable information when assessing the credit risk of a financial asset and in estimating the ECLs. The adoption of IFRS 9 did not result in any additional impairment allowance.

The Company has elected as an accounting policy choice for non-substantial modifications of variable or fixed rate debt, if certain criteria are met, to adjust the carrying amount of the financial liability on modification for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortize the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument. No gain or loss is recognized in profit or loss. This accounting policy applies to variable or fixed rate debt that had an insignificant original issue discount that can be prepaid at par, or prepaid with insignificant prepayment fees, to the extent that modification has the effect of repricing the debt to a market rate of interest.

The adoption of IFRS 9 did not have an impact on the Company's accumulated deficit as at January 1, 2018.

3. Significant accounting policies (continued):

(c) *Amendments to IFRS 2, Share-Based Payments*:

On January 1, 2018, the Company adopted the amendments to IFRS 2, *Share-Based Payments* ("IFRS 2"). The amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On January 1, 2018, as a result of adopting the amendments to IFRS 2, the Company reclassified $0.2 million related to its restricted share unit obligation from liabilities to contributed surplus. The Company ceased to apply mark-to-market accounting on share-based payment transactions with a net settlement feature for withholding tax obligations.

4. New standards applicable in future periods:

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.

5. Cash and cash equivalents:

	March 31, 2018	December 31, 2017
Cash	$ 1,186	$ 1,263
Cash equivalents	84,920	84,553
	$ 86,106	$ 85,816

6. Royalty pools:

(a) Mr. Lube:

Royalty income from Mr. Lube was as follows:

Expressed in thousands of Canadian dollars, except for number of locations	Three months ended March 31, 2018	2017
Locations in the Mr. Lube Royalty Pool at period end	117	117
Mr. Lube Royalty Pool system sales	$ 47,062	$ 45,028
Royalty income	3,260	3,143

During the three months ended March 31, 2018, royalty income from Mr. Lube includes make-whole payments totaling $0.01 million (2017 - $0.01 million) on lost system sales of $0.2 million (2017 - $0.2 million).

6. Royalty pools (continued):

(b) Sutton:

Royalty income from Sutton was as follows:

Expressed in thousands of Canadian dollars, except for number of agents and the Sutton Royalty Rate	Three months ended March 31, 2018	2017
Agents in the Sutton Royalty Pool at period end	5,400	5,400
Sutton Royalty Rate (per agent per month)	$ 58.523	$ 57.375
Royalty income	948	929

(c) AIR MILES:

Royalty income related to the AIR MILES Program was as follows:

Expressed in thousands of Canadian dollars	Three months ended March 31, 2018	2017
Gross billings	$ 173,127	$ n / a
Royalty income	1,731	-

7. Royalties and management fees receivable:

	March 31, 2018	December 31, 2017
Mr. Lube	$ 1,279	$ 1,175
Sutton	340	340
AIR MILES	1,956	2,493
	$ 3,575	$ 4,008

8. Contingencies:

In 2008, Sevenson Environmental Services Inc. (“Sevenson”), 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.

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, Sevenson 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 and punitive damages.

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. In October 2015, the Company filed a counterclaim against Sevenson. In December 2015, the Company and Sevenson agreed to non-binding mediation. This mediation was unsuccessful in resolving this issue.

(Tabular amounts expressed in thousands of Canadian dollars)

8. Contingencies (continued):

On March 16, 2018, Sevenson filed a brief in a U.S. court requesting an award of approximately $3.2 million U.S. plus interest. On the same date, the Company filed its own brief requesting summary judgment to dismiss all claims.

Management intends to defend against this claim vigorously and has prepared a significant portion of its defense and counterclaim against Sevenson. 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.

9. Borrowings:

As at March 31, 2018, the Company had the following non-amortizing term loan facilities and operating lines of credit:

Term loan facilities	Interest rate	Maturity date	Face value	Carrying value
SGRS LP term loan	BA + 2.00%	Jun 30, 2022	$ 6,300	$ 6,233
ML LP term loan	BA + 1.95%	Jul 31, 2022	34,600	34,344
AM LP term loan	BA + 2.25%	Sep 6, 2022	17,400	17,223
			$ 58,300	$ 57,800

Operating lines of credit	Interest rate	Maturity date	Maximum available	Available for use
SGRS LP line of credit	BA + 2.00%	Jun 30, 2022	$ 500	$ 500
ML LP line of credit	Prime + 0.25%	Jul 31, 2022	1,000	1,000
AM LP line of credit	BA + 2.25%	Sep 6, 2022	3,000	3,000
			$ 4,500	$ 4,500

As at March 31, 2018, SGRS LP, ML LP and AM LP were in compliance with all financial covenants.

10. Convertible debentures:

The following table reconciles the principal amount of the convertible debentures to the carrying value of the liability component.

	March 31, 2018	December 31, 2017
Principal amount	$ 57,500	$ 57,500
Equity component of debentures	(4,312)	(4,312)
Unamortized deferred financing fees	(2,414)	(2,522)
Accretion on liability component of debentures	282	105
	$ 51,056	$ 50,771

(Tabular amounts expressed in thousands of Canadian dollars)

11. Deferred income taxes:

	Three months ended March 31, 2018	2017
Deferred income tax expense	$ 1,164	$ 871
	$ 1,164	$ 871

The tax effect of temporary differences that gives rise to the net deferred tax liability are as follows:

	March 31, 2018	December 31, 2017
Non-capital losses	$ 1,928	$ 2,225
Financing and share issuance costs	575	704
Intangible assets	298	304
Investment tax credits	199	199
Other	(78)	16
Convertible debentures	(1,088)	(1,136)
Intangible assets	(6,461)	(5,775)
Net deferred tax liability	$ (4,627)	$ (3,463)

As at March 31, 2018, the Company has non-capital loss carry forwards of $7.1 million (December 31, 2017 - $8.2 million), which can be carried forward and applied against future taxable income. The deferred tax liability as at March 31, 2018 is largely associated with the temporary differences on the Company's intangible assets, which have an undepreciated capital cost allowance of approximately $157.9 million (December 31, 2017 - $160.4 million).

12. Income per share:

	Three months ended March 31, 2018	2017
Income for the period	$ 2,630	$ 2,313
Weighted average number of shares outstanding – basic	106,558,192	105,535,496
Dilutive adjustment for share options	57,154	83,603
Dilutive adjustment for RSUs	730,874	612,333
Weighted average number of shares outstanding – diluted	107,346,220	106,231,432
Net income per common share:		
Basic	$ 0.02	$ 0.02
Diluted	$ 0.02	$ 0.02

(Tabular amounts expressed in thousands of Canadian dollars)

13. Share-based compensation:

(a) Restricted share units:

The number of RSUs outstanding is as follows:

		March 31, 2018		
		Number of RSUs		Weighted average grant-date fair value
Balance, beginning of period	$	892,674	$	3.08
Granted		10,617		3.43
Dividends earned		12,142		3.33
Settled		(169,763)		2.40
Balance, end of period	$	745,670	$	3.24

On March 30, 2018, a total of 10,617 RSUs were issued at a grant date fair value of $3.43 per RSU to certain directors that elected to receive their compensation related to the three months ended December 31, 2017 in the form of RSUs. These RSUs fully vested on April 2, 2018.

(b) Share options:

There were no changes to the Company's outstanding options during the three months ended March 31, 2018. The following table summarizes information relating to outstanding and exercisable options as at March 31, 2018:

	Options outstanding				Options exercisable		
Exercise prices	Number of options	Weighted average remaining life (years)		Weighted average exercise price per share	Number exercisable		Weighted average exercise price per share
$ 1.50 - $ 1.79	181,400	0.34	$	1.71	181,400	$	1.71
$ 3.22 - $ 3.53	2,300,000	4.55		3.26	-		-
	2,481,400	4.24	$	3.15	181,400	$	1.71

14. Other finance income, net:

		Three months ended March 31, 2018		2017
Finance income	$	362	$	201
Foreign exchange gain (loss)		5		(1)
Amortization of deferred financing charges		(136)		(36)
Accretion expense		(177)		-
	$	54	$	164

(Tabular amounts expressed in thousands of Canadian dollars)

15. Financial instruments:

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

	March 31, 2018	December 31, 2017
Assets carried at amortized cost:		
Cash and cash equivalents	$ 86,106	$ 85,816
Royalties and management fees receivable	3,575	4,008
Amounts receivable	133	150
	$ 89,814	$ 89,974
Assets carried at fair value:		
Interest rate swap assets	$ 288	$ 160
Liabilities carried at amortized cost:		
Accounts payable and accrued liabilities	$ 2,144	$ 1,354
Long-term bank loans	57,800	57,772
Convertible debentures	51,056	50,771
	$ 111,000	$ 109,897
Liabilities carried at fair value:		
Restricted share unit obligation	$ -	$ 218

16. Supplemental cash flow information:

The following table reconciles the movements in liabilities to cash flows arising from financing activities:

	Long-term debt	Debentures	Total
Balance, December 31, 2017	$ 57,772	$ 50,771	$ 108,543
Liability-related other changes:			
Amortization of deferred financing charges	28	108	136
Accretion expense	-	177	177
Balance, March 31, 2018	$ 57,800	$ 51,056	$ 108,856

17. Subsequent events:

On May 1, 2018, the royalty rate paid by Mr. Lube to the Company on non-tire sales was increased by 0.5% from 6.95% to 7.45%. The royalty rate on tire sales remains unchanged at 2.5%. The total consideration paid to Mr. Lube for the increase of the Mr. Lube Royalty Rate was $9.2 million, which was paid in cash and partially financed by an increase in the term loan facility of ML LP as described below.

On May 1, 2018, the Mr. Lube royalty pool has been adjusted to include the royalties from two new Mr. Lube locations and to remove one Mr. Lube location that has been permanently closed. With the adjustment for these two openings and one closure, the Mr. Lube Royalty Pool now includes 118 locations. The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue is $0.9 million, representing 80% of the total estimated consideration of $1.2 million. The initial consideration was paid to Mr. Lube in cash, and was partially financed by an increase in the term loan facility of ML LP as described below.

17. Subsequent events (continued):

The remaining consideration payable for the net additional royalty revenue will be paid to Mr. Lube on May 1, 2019, the next adjustment date, and will be adjusted to reflect the actual system sales of the two new locations added to the Mr. Lube Royalty Pool for the year ended December 31, 2018, as determined through an audit.

On May 1, 2018, ML LP amended its credit agreement with a Canadian chartered bank to increase its term loan facility from $34.6 million to $41.6 million. The increase in the term loan facility was used to partially finance the consideration paid to Mr. Lube for the increase in the Mr. Lube Royalty Rate and the net addition to the Mr. Lube Royalty Pool.