Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three and nine months ended September 30, 2017 and 2016
(Unaudited)

DIVERSIFIED ROYALTY CORP.

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

	Note	September 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents	4	$ 32,567	$ 74,974
Royalties and management fees receivable	6	2,455	1,518
Amounts receivable		50	93
Prepaid expenses and other		142	87
		35,214	76,672
Deferred income tax asset		-	2,053
Interest rate swap assets	11	76	-
Intangible assets	8	225,459	171,498
		$ 260,749	$ 250,223
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 852	$ 592
Restricted share unit obligation	12	540	434
		1,392	1,026
Long-term bank loans, net of deferred financing charges	10	57,737	40,659
Interest rate swap liabilities		-	97
Deferred income tax liability	7	910	-
Shareholders' equity:			
Share capital		180,049	178,256
Contributed surplus		25,199	25,161
Retained earnings		(4,538)	5,024
		200,710	208,441
		$ 260,749	$ 250,223

Nature of operations (note 1)
Contingencies (note 9)
Subsequent event (note 16)

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of Canadian dollars, except per share amounts)

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Royalty income	5	$ 5,294	$ 7,242	$ 13,825	$ 21,574
Management fees		77	76	229	226
		5,371	7,318	14,054	21,800
Expenses:					
Salaries and benefits		539	291	1,215	885
Share-based compensation	12	249	187	580	507
General and administration		104	107	439	361
Professional fees		35	47	142	185
Litigation	9	56	325	150	4,779
Impairment of intangible asset		-	1,448	-	1,448
		983	2,405	2,526	8,165
Income from operations		4,388	4,913	11,528	13,635
Interest expense on credit facilities		(382)	(559)	(1,112)	(1,670)
Other finance income (costs), net	14	147	(80)	466	167
Fair value adjustment on interest rate swaps	11	49	38	173	68
Income before income taxes		4,202	4,312	11,055	12,200
Income tax expense	7	1,113	4,649	2,963	6,800
Net income (loss) and comprehensive income (loss)		$ 3,089	$ (337)	$ 8,092	$ 5,400
Weighted average number of shares outstanding					
Basic		106,028,066	113,894,278	105,792,772	113,420,103
Diluted		106,467,100	113,894,278	106,235,577	114,047,568
Income (loss) per share					
Basic	13	$ 0.03	$ 0.00	$ 0.08	$ 0.05
Diluted	13	0.03	0.00	0.08	0.05

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, except for share amounts)

	Common shares	Share capital	Contributed surplus	Retained earnings	Total equity
Balance, January 1, 2017	105,481,136	$ 178,256	$ 25,161	$ 5,024	$ 208,441
Common shares issued on DRIP	587,459	1,499	-	-	1,499
Restricted share units vested	128,691	294	(245)	-	49
Share-based compensation	-	-	283	-	283
Dividends declared	-	-	-	(17,654)	(17,654)
Comprehensive income	-	-	-	8,092	8,092
Balance, September 30, 2017	106,197,286	$ 180,049	$ 25,199	$ (4,538)	$ 200,710

	Note	Common shares	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Total equity
Balance, January 1, 2016		113,065,496	$ 230,357	$ 8,542	$ 2,618	$ 241,517
Common shares issued in connection with roll-in of Sutton agents		455,392	1,044	-	-	1,044
Common shares issued on DRIP		384,938	845	-	-	845
Share options exercised		324,100	1,023	(336)	-	687
Restricted share units vested		23,561	58	(58)	-	-
Share-based compensation		-	-	159	-	159
Dividends declared		-	-	-	(18,928)	(18,928)
Dividends payable to OJFG		-	-	-	(134)	(134)
Comprehensive income		-	-	-	5,400	5,400
Balance, September 30, 2016		114,253,487	$ 233,327	$ 8,307	$ (11,044)	$ 230,590

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)

	Nine months ended September 30, 2017	2016
Cash flows from (used in) operating activities:		
Net income for the period	$ 8,092	$ 5,400
Adjustments for:		
Deferred income taxes	2,963	6,800
Impairment of intangible asset	-	1,448
Share-based compensation	580	507
Fair value adjustments on interest rate swaps	(173)	(68)
Interest expense on credit facilities	1,112	1,670
Other finance income, net	(466)	(167)
Foreign exchange gain (loss)	(10)	307
Interest paid	(1,112)	(1,670)
Interest received	576	20
Changes in non-cash operating items:		
Royalties and management fees receivable	(937)	(210)
Amounts receivable	43	5
Prepaid expenses and other	(55)	(41)
Accounts payable and accrued liabilities	118	262
Provisions	-	2,198
Net cash provided by operating activities	10,731	16,461
Cash flows used in financing activities:		
Proceeds from issuance of debt	17,400	-
Debt re-financing costs	(422)	-
Payment of dividends	(16,155)	(18,083)
Proceeds from exercise of share options	-	687
Net cash provided by (used in) financing activities	823	(17,396)
Cash flows used in investing activities:		
Purchase of intangible asset	(53,961)	-
Net cash used in financing activities	(53,961)	-
Net decrease in cash and cash equivalents	(42,407)	(935)
Cash and cash equivalents, beginning of period	74,974	8,889
Cash and cash equivalents, end of period	$ 32,567	$ 7,954

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 nine months ended September 30, 2017 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").

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 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, 2016.

These condensed consolidated financial statements were authorized and approved for issue by the Company's Board of Directors on November 9, 2017.

(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.

2. Basis of preparation (continued):

(b) Basis of measurement (continued):

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, 2016.

(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, 2016, except as described below.

(a) Changes in accounting policies and disclosures:

Effective January 1, 2017, the Company adopted the amendments to IAS 7, *Statement of Cash Flows,* and IAS 12, *Income Taxes.* 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 has performed a preliminary review to assess the impact of this standard. The Company's primary source of revenue is royalty income, which is recognized on an accrual basis as earned. The Company does not anticipate a material impact on its revenue recognition policies or cash flows as a result of the adoption of this standard.

IFRS 9, *Financial Instruments*, 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.

4. Cash and cash equivalents:

	September 30, 2017	December 31, 2016
Cash	$ 742	$ 812
Cash equivalents	31,825	74,162
	$ 32,567	$ 74,974

5. Royalty pools:

(a) Mr. Lube:

Royalty income from Mr. Lube for the nine months ended September 30, 2017 and 2016 were calculated as follows:

Expressed in thousands of Canadian dollars, except for number of locations	Nine months ended September 30, 2017	2016
Locations in the Mr. Lube Royalty Pool at period end	117	117
Mr. Lube Royalty Pool system sales	$ 145,614	$ 139,735
Royalty income	10,182	9,741

During the nine months ended September 30, 2017, royalty income from Mr. Lube includes make-whole payments totaling $0.04 million (2016 - $0.03 million) on lost system sales of $0.6 million (2016 - $0.4 million).

In September 2017, Mr. Lube launched a new tire program. In connection with this incremental line of business, on October 20, 2017, ML LP amended its licence and royalty agreement (the “ML LRA Amendment”) with Mr. Lube in respect of this new retail tire program. Mr. Lube is charging a lower royalty fee and waived certain other fees payable by Mr. Lube franchisees on the sale of tires and rims to account for the lower margins on these hard goods. 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 currently in the Mr. Lube royalty Pool. The ML LRA Amendment is effective from September 18, 2017.

(b) Sutton:

Royalty income from Sutton for the nine months ended September 30, 2017 and 2016 were calculated as follows:

Expressed in thousands of Canadian dollars, except for number of agents and the Sutton Royalty Rate	Nine months ended September 30, 2017	2016
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	2,806	2,679

Effective July 1, 2017, the Sutton Royalty Rate increased from $57.375 per agent to $58.523 per agent, representing the 2.0% annual contractual increase in the Sutton Royalty Rate for 2017. Effective July 1, 2016, the Sutton Royalty Rate increased from $56.25 per agent to $57.375 per agent.

5. Royalty pools (continued):

(c) AIR MILES:

The royalty paid by LoyaltyOne Co. to AM LP is equal to 1% of the gross billings from the AIR MILES Program in accordance with the terms of the AIR MILES Licenses. Royalty income related to the AIR MILES Program from August 25, 2017 (the date of the AIR MILES Program acquisition) to September 30, 2017 was calculated as follows:

Expressed in thousands of Canadian dollars	Nine months ended September 30, 2017	2016
Gross billings	$ 83,678	$ n / a
Royalty income	837	-

(d) Franworks:

Royalty income from Franworks Franchise Corp. ("Franworks") for the nine months ended September 30, 2017 and 2016 were calculated as follows:

Expressed in thousands of Canadian dollars, except for number of restaurants	Nine months ended September 30, 2017	2016
Restaurants in the Franworks Royalty Pool at period end	-	82
Franworks Royalty Pool system sales	$ -	$ 150,477
Royalty income	-	9,154

On November 27, 2016, the Company completed the sale of the Canadian and U.S. trademarks and other intellectual property rights related to the Original Joe's, Elephant & Castle and State & Main restaurant business (the "FW Rights") to Original Joe's Franchise Group Inc. ("OJFG"), a wholly-owned subsidiary of Franworks. Upon closing the sale of the FW Rights, the previously existing royalty and other commercial arrangements between the Company and Franworks were terminated.

6. Royalties and management fees receivable:

	September 30, 2017	December 31, 2016
Mr. Lube	$ 1,169	$ 1,184
Sutton	341	334
AIR MILES	945	-
	$ 2,455	$ 1,518

(Expressed in thousands of Canadian dollars)

7. Deferred income taxes:

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

	September 30, 2017	December 31, 2016
Deferred tax asset:		
Non-capital losses	$ 2,537	$ 3,479
Financing and share issuance costs	924	1,266
Intangible assets	298	312
Investment tax credits	199	199
Other	121	138
Gross deferred tax asset	4,079	5,394
Deferred tax liability:		
Intangible assets	(4,989)	(3,341)
Net deferred tax asset (liability)	$ (910)	$ 2,053

As at September 30, 2017, the Company has non-capital loss carry forwards of $9.8 million, which can be carried forward and applied against future taxable income.

The deferred tax liability as at September 30, 2017 is largely associated with the temporary differences on the Company's intangible assets, which have an undepreciated capital cost allowance of approximately $162.6 million.

8. Intangible assets:

	SGRS Rights	ML Rights	AIR MILES Program	Total
Balance, December 31, 2016	$ 32,273	$ 139,225	$ -	$ 171,498
Acquisition of AIR MILES Program	-	-	53,961	53,961
Balance, September 30, 2017	$ 32,273	$ 139,225	$ 53,961	$ 225,459

On August 25, 2017, the Company acquired, through AM LP, the AIR MILES Rights from a subsidiary of Aimia for $53.8 million plus additional contingent consideration of up to $13.8 million. The Company funded the payment through cash on hand of $36.4 million and the issuance of $17.4 million in debt. Additionally, $0.2 million in costs incurred for the acquisition of the AIR MILES Program in Canada were capitalized as part of the purchase. The contingent consideration is subject to certain milestones being met in 2018 or 2019. The milestones relate to the renewal of The Bank of Montreal's AIR MILES sponsorship contract, or the replacement of the AIR MILES sponsorship contract with another one of the four other major Canadian chartered banks, as well as the royalty revenue post contract renewal or replacement. The contingent consideration will be recorded as an expense when paid. In accordance with the terms of the AIR MILES Licenses, AM LP will receive an aggregate royalty, payable quarterly, equal to 1% of gross billings from the AIR MILES Program in Canada in perpetuity.

(Expressed in thousands of Canadian dollars)

9. 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.

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.

10. Borrowings:

As at September 30, 2017, 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
SGRS LP term loan	$ 6,300	BA + 2.00%	Jun 30, 2022	$ (74)	$ 6,226
ML LP term loan	34,600	BA + 1.95%	Jul 31, 2022	(283)	34,317
AM LP term loan	17,400	BA + 2.25%	Sep 6, 2022	(206)	17,194
	$ 58,300			$ (563)	$ 57,737

Operating lines of credit	Maximum available	Interest rate	Maturity date	Amount drawn	Remainder Available for use
SGRS LP line of credit	$ 500	BA + 2.00%	Jun 30, 2022	$ -	$ 500
ML LP line of credit	1,000	Prime + 0.75%	Jul 31, 2022	-	1,000
AM LP line of credit	3,000	BA + 2.25%	Sep 6, 2022	-	3,000
	$ 4,500			$ -	$ 4,500

On June 20, 2017, SGRS LP amended the terms of its term loan and line of credit agreement to extend the maturity date from June 19, 2018 to June 30, 2022. In addition, the interest rate for the SGRS LP term loan and operating line of credit facilities was decreased to the BA rate plus 2.00%.

On July 31, 2017, ML LP amended the terms of its term loan and line of credit agreement to extend the maturity date from August 19, 2018 to July 31, 2022. In addition, the interest rate for the ML LP term loan facility was decreased to the BA rate plus 1.95%. The interest rate for the ML LP operating line of credit facility was decreased to the prime rate plus 0.75%.

(Expressed in thousands of Canadian dollars)

10. Borrowings (continued):

On September 6, 2017, in connection with the acquisition of the AIR MILES Rights, AM LP entered into a credit agreement with a Canadian chartered bank for a senior credit facility that consists of a term loan facility of $17.4 million and an operating line of credit of $3.0 million. The AM LP term loan and operating line of credit are secured by the AIR MILES Rights and the royalties payable by LoyaltyOne Co. under the AIR MILES Licences. The AM LP term loan and line of credit are subject to certain financial covenants, including a covenant for AM LP to maintain a funded debt to EBITDA ratio of not more than 2.5:1.0.

As at September 30, 2017, SGRS LP, ML LP and AM LP were in compliance with all financial covenants.

11. Interest rate swaps

The Company has interest rate swap agreements that entitle the Company to receive interest at floating rates and effectively pay interest at fixed rates for the SGRS LP and ML LP term loan facilities, as well as 50% of the AM LP term loan facility.

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 September 30, 2017:

		Notional amount	Fixed interest rate	Maturity date		Unrealized gain since inception
SGRS LP	$	6,300	3.16%	Jun 19, 2018	$	20
ML LP		34,600	3.07%	Aug 13, 2018		46
AM LP		8,700	4.42%	Aug 19, 2022		10
	$	49,600			$	76

In connection with the amendment of the ML LP term loan and line of credit agreement, ML LP entered into an interest rate swap arrangement with an effective date of August 13, 2018 and maturity date of July 31, 2022 that results in a fixed interest rate of 4.17%.

12. Share-based compensation:

(a) Restricted share units:

The number of RSUs outstanding is as follows:

	September 30, 2017		
	Number of RSUs		Weighted average grant-date fair value
Balance, beginning of period	606,016	$	2.42
Granted	101,259		2.56
Dividends earned	38,153		2.59
Settled	(183,596)		2.44
Balance, end of period	561,832	$	2.45

(Expressed in thousands of Canadian dollars)

12. Share-based compensation (continued):

(a) Restricted share units (continued):

In January 2016, the Company announced that the Board of Directors of the Company elected to receive all compensation related to 2016 in the form of RSUs. In addition, the Company's President and CEO elected to receive at least 45% of his base salary related to 2016 in RSUs. The RSUs were issued quarterly pursuant to the Company's long-term incentive plan at the five-day weighted average trading price of DIV's common shares as at the end of each quarter. In connection with this election, and as compensation for the services provided during the three months ended December 31, 2016, the Company granted a total of 11,863 RSUs to three directors and 18,725 RSUs to the Company's President and CEO at a weighted average grant date fair value of $2.50 per RSU on March 29, 2017. These RSUs fully vested on March 31, 2017, and were settled on April 3, 2017.

On March 29, 2017, a total of 58,059 RSUs were granted to five directors at a grant date fair value of $2.58 per RSU, which vest in their entirety on April 1, 2020. In addition, in 2017, a total of 12,612 RSUs were issued at a grant date fair value of $2.57 per RSU to certain directors that elected to receive their compensation related to 2017 in the form of RSUs. These RSUs fully vest on April 2, 2018.

(b) Share options:

There were no changes to the Company's outstanding options during the nine months ended September 30, 2017. The following table summarizes information relating to outstanding and exercisable options as at September 30, 2017:

Exercise price	Number of options outstanding and exercisable	Weighted average remaining contractual life (years)
$ 1.50	103,000	0.75
$ 1.79	129,900	0.87
	232,900	0.82

13. Income per share:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Income (loss) for the period	$ 3,089	$ (337)	$ 8,092	$ 5,400
Weighted average number of shares outstanding – basic	106,028,066	113,894,278	105,792,772	113,420,103
Dilutive adjustment for share options	87,207	-	86,041	132,463
Dilutive adjustment for RSUs	351,827	-	356,764	495,002
Weighted average number of shares outstanding – diluted	106,467,100	113,894,278	106,235,577	114,047,568
Net income (loss) per common share:				
Basic	$ 0.03	$ 0.00	$ 0.08	$ 0.05
Diluted	$ 0.03	$ 0.00	$ 0.08	$ 0.05

(Expressed in thousands of Canadian dollars)

14. Other finance income (costs), net:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Foreign exchange gain (loss)	$ (6)	$ (34)	$ (10)	$ 307
Finance income	179	8	576	20
Amortization of deferred financing charges	(26)	(54)	(100)	(160)
Other finance income (costs), net	$ 147	$ (80)	$ 466	$ 167

15. Financial instruments:

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

	September 30, 2017	December 31, 2016
Assets carried at amortized cost:		
Cash and cash equivalents	$ 32,567	$ 74,974
Royalties and management fees receivable	2,455	1,518
Amounts receivable	50	93
	$ 35,072	$ 76,585
Assets carried at fair value:		
Interest rate swap assets	$ 76	$ -
Liabilities carried at amortized cost:		
Accounts payable and accrued liabilities	$ 852	$ 592
Long-term bank loans	57,737	40,659
	$ 58,589	$ 41,251
Liabilities carried at fair value:		
Restricted share unit obligation	$ 540	$ 434
Interest rate swap liabilities	-	97
	$ 540	$ 531

16. Subsequent event:

(a) Convertible debentures:

On October 17, 2017, DIV entered into an agreement with a syndicate of underwriters (the “Underwriters”) pursuant to which the Underwriters have agreed to purchase $50.0 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures (the “Debentures”) at a price of $1,000 per Debenture (the “Offering”).

In addition, the Company granted the Underwriters an option (“Over-Allotment Option”) to purchase up to an additional $7.5 million aggregate principal amount of Debentures at the offering price exercisable at any time up to 30 days following closing.

16. Subsequent event (continued):

(a) Convertible debentures (continued):

The Debentures will mature December 31, 2022 and will bear interest at an annual rate of 5.25% payable semi-annually in arrears on the last day of December and June in each year, commencing June 30, 2018. At the holder's option, the Debentures may be converted into common shares of the Corporation ("Common Shares") at any time prior to the close of the business on the earlier of the last business day immediately preceding December 31, 2022 and the date fixed for redemption. The conversion price will be $4.55 per common share (the "Conversion Price), subject to adjustment in certain circumstances.

The Debentures will not be redeemable on or before December 31, 2020. After December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed in whole or in part from time to time at DIV's option, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange (the "TSX") during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2021 and prior to the maturity date, DIV may, at its option, redeem the Debentures, in whole or in part, from time to time at par plus accrued and unpaid interest.

On November 7, 2017, DIV completed the Offering of Debentures for an aggregate principal amount of $57.5 million, which included the full exercise of the Over-Allotment Option for an aggregate principal amount of $7.5 million. DIV intends to use the net proceeds of the Offering to fund potential future acquisitions, and may be used for, among other things, to fund general administration expenses and salaries, payment of deposits for potential acquisitions and to fund working capital.

(b) Stock options:

On October 11, 2017, the Company conditionally granted 2,000,000 stock options to the Company's President and CEO. These options are exercisable at a price of $3.22 per share, vest on October 11, 2020 and expire on October 11, 2022.