Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three months ended March 31, 2021

DIVERSIFIED ROYALTY CORP.

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

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets:			
Cash and cash equivalents		$ 10,000	$ 9,218
Royalties and management fees receivable	5	4,169	4,293
Amounts receivable		9	15
Prepaid expenses and other		330	342
		14,508	13,868
Right-of-use asset and other	10	775	-
Investment in NND LP	6	42,950	43,627
Intangible assets		300,901	300,901
		$ 359,134	$ 358,396
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 2,364	$ 1,710
Interest rate swap liabilities	8	1,110	1,212
Income tax payable	11	303	755
		3,777	3,677
Long-term bank loans, net of deferred financing charges	7	98,609	98,557
Convertible debentures		54,883	54,535
Promissory note		3,143	3,108
Exchangeable Units and other	9	906	878
Interest rate swap liabilities	8	720	1,158
Lease obligation	10	753	-
Deferred income tax liability	11	7,731	6,810
Shareholders' equity:			
Share capital		199,435	198,570
Contributed surplus		39,432	39,425
Equity component of convertible debentures		2,938	2,938
Accumulated deficit		(53,193)	(51,260)
		188,612	189,673
		$ 359,134	$ 358,396

Nature of operations (note 1)
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 (Loss) and Comprehensive Income (Loss)
(Unaudited)
(Expressed in thousands of Canadian dollars, except per share amounts)

			Three months ended March 31,		
	Note		2021		2020
Royalty income	4	$	7,499	$	7,160
Management fees			111		104
			7,610		7,264
Expenses					
Salaries and benefits			323		395
Share-based compensation	12		145		320
General and administration			146		128
Professional fees			83		143
Impairment loss			-		19,841
			697		20,827
Income (Loss) from operations			6,913		(13,563)
Interest expense on credit facilities			(1,750)		(1,809)
Other finance (costs) income, net	14		(461)		967
Fair value adjustment on financial instruments	6, 8, 9		1,030		(1,732)
Income (Loss) before income taxes			5,732		(16,137)
Income tax expense (recovery)	11		1,596		(4,406)
Net income (loss) and comprehensive income (loss)		$	4,136	$	(11,731)
Weighted average number of shares outstanding					
Basic			121,316,694		112,699,189
Diluted			122,153,836		112,699,189
Income (Loss) per share					
Basic	13	$	0.03	$	(0.10)
Diluted	13	$	0.03	$	(0.10)

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)

	Note	Common shares	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated deficit	Total equity
Balance, December 31, 2020		121,187,757	$ 198,570	$ 39,425	$ 2,938	$ (51,260)	$189,673
Common shares issued on DRIP		315,663	755	-	-	-	755
Restricted share units settled		49,400	110	(134)	-	-	(24)
Share-based compensation		-	-	141	-	-	141
Dividends declared		-	-	-	-	(6,069)	(6,069)
Comprehensive income		-	-	-	-	4,136	4,136
Balance, March 31, 2021		121,552,820	$ 199,435	$ 39,432	$ 2,938	$ (53,193)	$188,612

	Note	Common shares	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated deficit	Total equity
Balance, January 1, 2020		109,501,916	$ 163,174	$ 40,293	$ 2,938	$ (17,710)	$188,695
Common shares issued on public offering		10,810,000	33,047	-	-	-	33,047
Common shares issued on DRIP		465,780	1,012	-	-	-	1,012
Share-based compensation		-	-	320	-	-	320
Dividends declared		-	-	-	-	(6,572)	(6,572)
Comprehensive loss		-	-	-	-	(11,731)	(11,731)
Balance, March 31, 2020		120,777,696	$ 197,233	$ 40,613	$ 2,938	$ (36,013)	$204,771

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)

	Note	Three months ended March 31, 2021	2020
Cash flows from (used in) operating activities:			
Net income (loss)		$ 4,136	$ (11,731)
Adjustments for:			
Tax expense (recovery)		1,596	(4,406)
Impairment loss		-	19,841
Depreciation expense		18	-
Share-based compensation		145	320
Fair value adjustments on financial instruments		(1,030)	1,732
Interest expense on credit facilities		1,750	1,809
Other finance costs (income), net		461	(967)
Foreign exchange gain		3	14
Interest paid		(995)	(1,087)
Interest received		13	22
Taxes paid		(1,127)	(1,223)
Distributions received from NND LP		1,223	962
Changes in non-cash operating items:			
Royalties and management fees receivable		124	625
Amounts receivable		6	(2,178)
Prepaid expenses and other		(20)	(7)
Accounts payable and accrued liabilities		(207)	455
Net cash from operating activities		6,096	4,181
Cash flows (used in) from financing activities:			
Payment of dividends		(5,314)	(5,560)
Proceeds from issuance of equity		-	34,592
Equity issuance costs		-	(2,116)
Proceeds from issuance of debt		-	46,700
Repayment of debt		-	(30,700)
Related party receivable		-	3,766
Net cash (used in) from financing activities		(5,314)	46,682
Cash flows used in investing activities:			
Additions to intangible assets		-	(44,299)
Net cash used in investing activities		-	(44,299)
Net increase in cash and cash equivalents		782	6,564
Cash and cash equivalents, beginning of period		9,218	2,968
Cash and cash equivalents, end of period		10,000	$ 9,532

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

Diversified Royalty Corp. ("DIV") is a company domiciled in Canada and governed by the Business Corporations Act (British Columbia). The condensed consolidated interim financial statements of DIV as at and for the three months ended March 31, 2021 are composed of DIV and its subsidiaries (together referred to as the "Company"). The head office of the Company is located at 330-609 Granville Street, Vancouver, BC, V7Y 1A1. The registered office of the Company is located at the 25th Floor, 700 West Georgia Street, Vancouver, BC V7Y 1B3. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") and traded under the symbol "DIV".

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, 2020, the Sutton Royalty Rate was increased to $62.105 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 May 1, 2018, the Mr. Lube royalty rate on non-tire sales was increased from 6.95% to 7.45%. On May 1, 2021, the Mr. Lube royalty rate on non-tire sales was increased from 7.45% to 7.95%.

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.

On May 20, 2019, the Company indirectly acquired through MRM Royalties Limited Partnership ("MRM LP") (an entity controlled by the Company), the trademarks and certain other intellectual property rights utilized by Mr. Mikes Restaurants Corporation ("Mr. Mikes") in its restaurant business (the "MRM Rights"). The Company granted Mr. Mikes the licence to use the MRM Rights for a term ending on May 19, 2118 in exchange for a royalty payment initially equal to 4.35% of notional system sales of Mr. Mikes locations in the royalty pool (the "Mr. Mikes Royalty Pool").

On November 15, 2019, the Company indirectly acquired through NND Royalties Limited Partnership ("NND LP") (an entity that is majority-owned by the Company), the trademarks and certain other intellectual property rights utilized by Nurse Next Door Professional Homecare Services Inc. ("Nurse Next Door") in its premium home care business (the "NND Rights") (note 6). NND LP granted Nurse Next Door the licence to use the NND Rights for a term ending on November 15, 2118 in exchange for a gross royalty payment (the "Gross Royalty") equal to the greater of: (i) 6% of gross sales from Nurse Next Door's franchises and corporate stores in Canada and the United States and (ii) $4.8 million per year, which grows at a fixed rate of 2.0% per annum. The Company, through its ownership of NND LP Class A units, is entitled to receive a cash distribution of $4.8 million per year, which grows at a fixed rate of 2.0% per annum (the "DIV Distribution Entitlement"). To the extent the Gross Royalty is greater than the DIV Distribution Entitlement, Nurse Next Door is entitled to receive the excess amount in the form of a cash distribution through its ownership of NND LP Class B units.

1. Nature of operations (continued):

On February 20, 2020, the Company indirectly acquired through OX Royalties Limited Partnership ("OX LP") (an entity controlled by the Company), the trademarks and certain other intellectual property rights utilized by Oxford Learning Centres, Inc. ("Oxford") in its pre-school, elementary and secondary school and post-secondary supplemental education business (the "Oxford Rights"). The Company granted Oxford the licence to use the Oxford Rights for a term ending on February 20, 2119 in exchange for a royalty payment initially equal to 7.67% of the gross sales of Oxford locations in the royalty pool (the "Oxford Royalty Pool").

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.

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy, our business and the respective businesses of our Royalty Partners (including their respective franchisees) are not known at this time. Governments worldwide, including the Canadian federal and provincial governments, enacted emergency measures to combat the spread of the virus, which have included, among others, the temporary closure of non-essential businesses (in most jurisdictions), restrictions on business operations, bans on public gatherings over certain sizes and travel advisories to avoid non-essential travel. These measures have triggered significant disruptions to businesses worldwide, including the businesses of DIV's Royalty Partners (including their respective franchisees).

DIV's Royalty Partners (including their respective franchisees) have had, and are expected to continue to have, significant interruptions to their respective businesses in the months ahead, including prolonged periods of low system sales on which certain royalties are based and low revenues on which the Royalty Partner rely to pay royalties to DIV. Certain governments have previously eased some of the restrictions put in place to fight the COVID-19 pandemic. However, due to a growing number of COVID-19 cases in recent months, certain governments have re-imposed certain restrictions and added new restrictions to fight the COVID-19 pandemic. Accordingly, DIV does not know the full extent of the financial impact of such interruptions going forward, the timeline for restoring normal operations for its Royalty Partners (including their respective franchisees) or the potential changes in consumer behaviors as a result of the COVID-19 pandemic. In addition, the rates of recovery for DIV's Royalty Partners will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus, government responses, rates of economic recovery, precautionary measures taken by consumers and the rate at which social restrictions will be lifted. Previously experienced improvement trends by certain of DIV's Royalty Partners may not continue and may regress, and in certain cases have regressed. Certain government support programs which have been helpful to DIV's Royalty Partners, their franchisees and the general population have been terminated or modified, and those remaining government support programs may be terminated or modified at any time. Following the termination of such programs, or the reduction of amounts available under such programs, or other modifications, Royalty Partners and franchisees currently receiving support under those programs may need to find alternative sources of financial support and may make requests for such support from, among other parties, DIV and its Royalty Partners, as applicable. There is also a risk that certain Royalty Partner franchise locations that are currently temporarily closed may not reopen, and those that are open may be required to close again in the future. The ongoing effects of COVID-19 could impact DIV and its Royalty Partners' (as well as their respective franchisees') ability to obtain debt and equity financing, and result in an impairment in the value of the long-lived assets or investments, or decreases in revenue or the profitability of our ongoing operations.

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, 2020.

(Tabular amounts expressed in thousands of Canadian dollars)

2. Basis of preparation (continued):

(a) Statement of compliance (continued):

These condensed consolidated interim financial statements were authorized and approved for issue by the Company's Board of Directors on May 13, 2021.

(b) Basis of measurement:

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, 2020.

(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, 2020, except as described below.

IFRS 16, Leases ("IFRS 16"), has a single on-balance sheet lease accounting model for lessees. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee recognizes 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 right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

4. Royalty income:

	Three months ended March 31, 2021	2020
Mr. Lube	$ 3,575	$ 3,463
AIR MILES	1,525	1,829
Sutton	1,006	822
Oxford	896	585
Mr. Mikes	497	461
	$ 7,499	$ 7,160

For the three months ended March 31, 2021 and 2020, DIV granted royalty relief to Mr. Mikes in connection with the COVID-19 pandemic. DIV continues to discuss with its lender and Mr. Mikes about whether additional royalty relief is required for subsequent periods. For the three months ended March 31, 2020, DIV waived 50% of Sutton's March 2020 royalty and management fees.

(Tabular amounts expressed in thousands of Canadian dollars)

5. Royalties and management fees receivable:

		March 31, 2021		December 31, 2020
Mr. Lube	$	1,488	$	1,237
AIR MILES		1,723		2,193
Sutton		362		362
Oxford		377		315
Mr. Mikes		212		179
Nurse Next Door		7		7
	$	4,169	$	4,293

6. Investment in NND LP:

The Company's investment in NND LP is a financial instrument measured at fair value. The valuation of the financial instrument includes an estimate of the discounted cash flow receivable from Nurse Next Door and takes into consideration the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the NND Exchange Mechanism. The NND Buy-Out Option and NND Exchange Mechanism are embedded derivatives with a negligible value at March 31, 2021 and December 31, 2020. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 14.3% (December 31, 2020 – 14.0%). The total fair value of NND LP at March 31, 2021 was $43.0 million (December 31, 2020 - $43.6 million) and a fair value gain of $0.5 million was recorded during the three months ended March 31, 2021 (March 31, 2020 – fair value gain of $0.2 million). A one percentage point increase in the discount rate would decrease the fair value by $3.1 million. A one percentage point decrease in the discount rate would increase the fair value by $3.6 million.

For the three months ended March 31, 2021 and 2020, the DIV Distribution Entitlement was $1.2 million.

7. Borrowings:

(a) Acquisition facility:

The Company has a $50.0 million undrawn senior secured credit facility (the "Acquisition Facility") that matures on November 30, 2022. As at March 31, 2021, the Company had $nil outstanding under the Acquisition Facility.

(b) Term loan facilities and operating lines of credit:

As at March 31, 2021, the Company had the following term loan facilities:

Term loan facilities	Interest rate	Maturity date		Face value		Carrying value
ML LP term loan	BA + 1.95%	Jul 31, 2022	$	41,600	$	41,507
AM LP term loan	BA + 2.25%	Sep 6, 2022		17,400		17,339
SGRS LP term loan	BA + 2.00%	Jun 30, 2022		6,300		6,279
MRM LP term loan	BA + 1.95%	Jun 24, 2024		10,300		10,210
NNDH LP term loan	BA + 1.90%	Nov 15, 2024		14,500		14,361
OX LP term loan	BA + 1.95%	Apr 27, 2025		9,000		8,913
			$	99,100	$	98,609

(Tabular amounts expressed in thousands of Canadian dollars)

7. Borrowings:

(b) Term loan facilities and operating lines of credit:

As at March 31, 2021, the Company had the following operating lines of credit:

Operating lines of credit	Interest rate	Maturity date		Maximum available		Available for use
ML LP line of credit[1]	Prime + 0.25%	Jul 31, 2022	$	1,000	$	945
AM LP line of credit	BA + 2.25%	Sep 6, 2022		3,000		3,000
SGRS LP line of credit	BA + 2.00%	Jun 30, 2022		500		500
MRM LP line of credit	Prime + 0.25%	Jun 24, 2024		500		500
OX LP line of credit	Prime + 0.25%	Apr 27, 2025		500		500
			$	5,500	$	5,445

1) ML LP issued a letter of credit for $0.55 million in connection with the Company's head office lease.

As at March 31, 2021, the Company was in compliance with all financial covenants associated with its Acquisition Facility, term loan facilities and operating lines of credit. In March 2021, AM LP entered into an amended and restated credit agreement with its lender to amend its financial covenant for the first three fiscal quarters of 2021. If AM LP had not entered into such amendment, AM LP would have been in breach of its financial covenant for the quarter ended March 31, 2021. In February 2021, MRM LP negotiated a covenant amendment to its credit agreement, which included a suspension to its financial covenants for the quarters ended March 31, 2021 and June 30, 2021. If MRM LP had not entered into such covenant amendment, MRM LP would have been in breach of its financial covenants for the quarter ended March 31, 2021. DIV continues to closely monitor the results of its royalty partners and is in regular discussions with its lending partners about the impact of COVID-19 on its business including covenant relief, which may be required in the months ahead dependent on the future results of several of DIV's royalty partners.

8. Interest rate swaps:

The following table summarizes the interest rate swap agreements the Company has entered into as of March 31, 2021. The Company recorded a fair value gain of $0.5 million related to the interest rate swaps for the three months ended March 31, 2021.

	Effective date	Maturity date	Fixed interest rate		Notional amount
SGRS LP	Jun 19, 2018	Jun 21, 2021	4.64%	$	6,300
ML LP	Aug 13, 2018	Jul 31, 2022	4.17%		34,600
ML LP	Feb 5, 2020	Jul 31, 2022	3.88%		7,000
AM LP	Sep 6, 2017	Aug 19, 2022	4.42%		8,700
MRM LP	Jul 25, 2019	Jun 24, 2024	4.05%		10,300
NNDH LP	Feb 12, 2020	Nov 15, 2024	3.98%		7,500
OX LP	Aug 26, 2020	Apr 27, 2025	2.96%		4,500

9. Exchangeable MRM Units:

The fair value of the Exchangeable MRM Units is determined at the end of each period by multiplying the number of Exchangeable MRM Units held by Mr. Mikes at the end of the period by the closing price of DIV shares on the last business day of the period. As at March 31, 2021, the Exchangeable MRM Units were valued at $0.9 million (December 31, 2020 - $0.8 million) based on the DIV closing share price of $2.46 at period end (December 31, 2020 - $2.38), multiplied by the total number of Exchangeable MRM Units of 355,032.

(Tabular amounts expressed in thousands of Canadian dollars)

10. Right-of-use asset and lease obligation:

In December 2020, DIV signed a ten-year lease agreement for its head office and obtained possession in January 2021. Under IFRS 16, DIV recognized a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. During the three months ended March 31, 2021, the Company recorded a nominal amount as depreciation expense for the right-of-use asset and a nominal amount as other finance costs on the lease obligation. The Company's annual fixed lease payments are approximately $0.1 million over the ten-year term of the lease.

11. Income taxes:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Deferred income tax (recovery) expense	$ 921	$ (4,895)
Current income tax expense	675	489
	$ 1,596	$ (4,406)

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

	March 31, 2021	December 31, 2020
Intangible assets	$ 240	$ 244
Financing and share issuance costs	196	223
Other	13	142
Convertible debentures	(443)	(502)
Intangible assets	(7,737)	(6,917)
Net deferred tax liability	$ (7,731)	$ (6,810)

The deferred tax liability as at March 31, 2021 is largely associated with the temporary differences on the Company's intangible assets, which have an undepreciated capital cost allowance of approximately $208.4 million (December 31, 2020 - $211.5 million). In addition, pursuant to NND LP's limited partnership agreement dated November 15, 2019, its undepreciated capital cost allowance of approximately $48.4 million at March 31, 2021 (December 31, 2020 - $49.0 million) is allocated to the Company for tax purposes.

(Tabular amounts expressed in thousands of Canadian dollars)

12. Share-based compensation:

(a) Restricted share units:

The number of RSUs outstanding is as follows:

	March 31, 2021	
	Number of RSUs	Weighted average grant-date fair value
Balance, beginning of period	499,382	$ 2.24
Granted	26,179	2.27
Dividends earned	9,551	2.47
Settled	(60,326)	2.55
Balance, end of period	474,786	$ 2.21
Unvested	446,457	$ 2.16
Vested	28,329	$ 2.99

(b) Share options:

The following table summarizes information relating to outstanding and exercisable options as at March 31, 2021:

	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
$ 3.22 - $ 3.53	2,300,000	1.55	$ 3.26	2,300,000	$ 3.26
	2,300,000	1.55	$ 3.26	2,300,000	$ 3.26

On May 6, 2021, the Company granted 229,238 RSUs having a grant date fair value of $2.521 per RSU, which vests over a period of three years. In addition, on May 6, 2021, the Company granted 816,667 share options having an exercise price of $2.521, which vests over a period of three years and expire on the fifth anniversary of the grant date. The grant date fair value per RSU and the exercise price of the share options were each based on the five-day volume weighted average trading price of the Company's common shares on the Toronto Stock Exchange ending on the date prior to the grant date.

13. Income per share:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Income (Loss) for the year	$ 4,136	$ (11,731)
Weighted average number of shares outstanding – basic	121,316,694	112,699,189
Dilutive adjustment for RSUs	482,110	-
Dilutive adjustment for MRM Exchangeable Units	355,032	-
Weighted average number of shares outstanding – diluted	122,153,836	112,699,189
Net (loss) income per common share:		
Basic	$ 0.03	$ (0.10)
Diluted	$ 0.03	$ (0.10)

(Tabular amounts expressed in thousands of Canadian dollars)

14. Other finance (costs) income, net:

	Three months ended March 31, 2021	2020
Finance income	$ 13	$ 22
Foreign exchange gain	3	14
Distributions paid on Exchangeable MRM Units	-	(33)
Amortization of deferred financing charges	(214)	(195)
Accretion expense and other	(263)	1,159
	$ (461)	$ 967

15. 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 convertible debentures of $56.9 million is measured using Level 1 inputs. The fair value of the Exchangeable MRM Units, Exchangeable ML Units and the interest rate swap liabilities are measured using Level 2 inputs. The fair value of the investment in NND LP is measured using Level 3 inputs (note 6).

The Company monitors its consolidated cash flow to ensure that there will always be sufficient liquidity to meet liabilities when due. In addition, the Company manages its liquidity risk by preparing rolling cash flow forecasts, taking into consideration various scenarios and assumptions, monitoring the business operations of its royalty partners, and monitoring compliance with the terms of financing arrangements. Given the economic uncertainty facing DIV and its royalty partners as a result of the COVID-19 pandemic, the Company decreased the monthly dividend from $0.01958 per share to $0.01667 per share effective with the dividend declared in the month of April 2020. The Board believes the reduction of the monthly dividend is a prudent measure to preserve capital and maintain liquidity in the current market environment.

As at March 31, 2021, the Company had a cash and cash equivalents balance of $10.0 million (December 31, 2020 - $9.2 million) and positive working capital of $10.7 million (December 31, 2020 - $10.2 million). Management expects to refinance the non-amortizing loans as they become due, and has sufficient cash resources to settle other contractual liabilities as they become payable.

(Tabular amounts expressed in thousands of Canadian dollars)

16. Supplemental cash flow information:

The following table reconciles the movements in liabilities to cash flows arising from financing activities, including both changes arising from cash flows and non-cash changes:

	Promissory note	Acquisition facility (note 7(a))	Long-term debt (note 7(b))	Debentures	Lease obligations (note 10)	Total
Balance, December 31, 2020	$ 3,108	$ (247)	$ 98,557	$ 54,535	$ -	$ 155,953
Liability-related other changes:						
New leases	-	-	-	-	743	743
Amortization of deferred financing charges	-	32	52	130	-	214
Accretion expense and other	35	-	-	218	10	263
Balance, March 31, 2021	$ 3,143	$ (215)	$ 98,609	$ 54,883	$ 753	$ 157,173

17. Subsequent events:

(a) Mr. Lube royalty rate increase and additions to the Mr. Lube Royalty Pool:

On November 9, 2020, DIV and Mr. Lube entered into an amendment to the amended and restated limited partnership agreement of ML LP (the “LP Amendment”) to confirm the terms on which (i) the Mr. Lube royalty rate will be increased by 0.5% from 7.45% to 7.95% effective May 1, 2021, and (ii) the Mr. Lube Royalty Pool will be adjusted to include royalties from 13 additional Mr. Lube locations effective May 1, 2021.

The increase of the Mr. Lube royalty rate from 7.45% to 7.95% on non-tire sales on May 1, 2021 represents the second such royalty rate increase. The royalty rate on tire sales remains unchanged at 2.50%. The LP Amendment provides that the consideration payable to Mr. Lube for the Mr. Lube royalty rate increase on May 1, 2021 is to be calculated based on a 7.25x multiple of the incremental annual royalty revenue, which will be paid in cash. The actual amount of the consideration for the increase to the Mr. Lube royalty rate was $8.3 million, which was paid to Mr. Lube on May 1, 2021.

The LP Amendment also provides that the consideration payable to Mr. Lube for the addition of the 13 locations to the Mr. Lube Royalty Pool on May 1, 2021 is to be calculated based on a 7.25x multiple of the incremental annual royalty revenue to be added to the Mr. Lube Royalty Pool from such additions, which consideration will be paid in cash. The initial consideration for the addition of the 13 locations to the Mr. Lube Royalty Pool was determined to be $7.7 million, representing 80% of the total current estimated consideration of $9.6 million. The remaining consideration payable for the net additional royalty revenue related to 7 of the 13 locations will be paid to Mr. Lube on May 1, 2022 and will be adjusted to reflect the actual system sales of these locations for the year ending December 31, 2021. The remaining consideration payable for the net additional royalty revenue related to 6 of the 13 locations will be paid to Mr. Lube on May 1, 2023 and will be adjusted to reflect the actual system sales of these locations for the year ending December 31, 2022.

On May 1, 2019, the Mr. Lube Royalty Pool was adjusted to include the royalties from four new Mr. Lube locations. The initial consideration previously paid to Mr. Lube was $2.7 million, which represented 80% of the total estimated consideration based on the forecast system sales of these four locations for the 2019 fiscal year. In exchange for the addition to the Mr. Lube Royalty Pool, Mr. Lube received the right to exchange Class B LP units of ML LP for common shares of DIV. DIV elected to pay the initial consideration to Mr. Lube in cash. Based on the actual system sales for the year ended December 31, 2019 of the four new locations added to the Mr. Lube Royalty Pool, Mr. Lube was entitled to exchange 357,716 Class B units of ML LP (the “Exchangeable ML Units”) for DIV shares (or cash at DIV’s option). On April 28, 2020, Mr. Lube and DIV entered into an agreement to defer the settlement of the Exchangeable ML Units to May 1, 2021. The actual consideration payable on May 1, 2021 is equal to the lower of: (i) $3.1822 per share and (ii) the weighted average share price of the Company’s shares over the 20 trading days ending on April 26, 2021, the fifth trading day before May 1, 2021, which was determined to be $2.4941 per share. Accordingly, on May 1, 2021, DIV paid Mr. Lube the remaining $0.9 million of cash consideration.

17. Subsequent events (continued):

(b) Amendment to ML LP credit facility agreement:

On May 1, 2021, ML LP amended its credit facility agreement to increase its non-amortizing term loan facility from $41.6 million to $53.0 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 additions to the Mr. Lube Royalty Pool. Effective May 1, 2021, the ML LP term loan facility bears interest at the banker's acceptance rate plus 2.5% and matures on May 1, 2025.