

Condensed Consolidated Interim Financial Statements of

**DIVERSIFIED ROYALTY CORP.**

Three and six months ended June 30, 2025 and 2024

(Unaudited)

**DIVERSIFIED ROYALTY CORP.**

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

As at June 30, 2025 and December 31, 2024

	Note	June 30, 2025	December 31, 2024
<b>Assets</b>			
Current assets:			
Cash		\$ 3,815	\$ 19,692
Royalty and other receivables	5	6,711	6,001
Prepaid expenses and other		152	107
		10,678	25,800
Interest rate swap assets	10	-	194
Right-of-use asset and other		567	615
Note receivable		1,392	1,339
Investment in NND LP	6	40,913	40,897
Intangible assets	7	559,917	510,133
		\$ 613,467	\$ 578,978
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 2,406	\$ 4,128
Promissory note		6,725	-
Interest rate swap liabilities	10	347	146
Income tax payable		759	1,376
Exchangeable units and other	11	999	-
		11,236	5,650
Long-term accrued liabilities		249	84
Bank loans, net of deferred financing charges	8	207,573	176,479
Convertible debentures	9	50,144	49,606
Promissory notes		28,527	33,746
Exchangeable units and other	11	1,215	1,119
Interest rate swap liabilities	10	231	-
Lease obligation		598	635
Deferred income tax liability	12	25,038	22,859
Shareholders' equity:			
Share capital		326,732	319,509
Contributed surplus		41,017	40,862
Equity component of convertible debentures		5,127	5,127
Accumulated other comprehensive income		1,451	5,000
Accumulated deficit		(85,671)	(81,698)
		288,656	288,800
		\$ 613,467	\$ 578,978

Subsequent events (note 16)

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  
(Expressed in thousands of Canadian dollars, except per share amounts)

For the three and six months ended June 30, 2025 and 2024

	Note	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
Royalty income	4	\$ 17,697	\$ 16,632	\$ 33,185	\$ 31,565
Management fees		151	149	302	296
		17,848	16,781	33,487	31,861
Expenses:					
Salaries and benefits		613	680	1,309	1,309
Share-based compensation	13	596	536	964	930
General and administration		277	350	491	566
Professional fees		137	210	267	377
		1,623	1,776	3,031	3,182
Income from operations		16,225	15,005	30,456	28,679
Interest expense on credit facilities		(3,315)	(3,405)	(6,465)	(7,325)
Other finance costs, net		(1,373)	(1,020)	(2,368)	(1,974)
Fair value adjustment on financial instruments		1,038	905	1,942	2,559
Income before income taxes		12,575	11,485	23,565	21,939
Income tax expense	12	3,555	3,273	6,552	6,222
<b>Net income for the period</b>		<b>\$ 9,020</b>	<b>\$ 8,212</b>	<b>\$ 17,013</b>	<b>\$ 15,717</b>
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		(3,560)	635	(3,549)	1,996
<b>Other comprehensive income (loss) for the period</b>		<b>\$ (3,560)</b>	<b>\$ 635</b>	<b>\$ (3,549)</b>	<b>\$ 1,996</b>
<b>Total comprehensive income for the period</b>		<b>\$ 5,460</b>	<b>\$ 8,847</b>	<b>\$ 13,464</b>	<b>\$ 17,713</b>
Weighted average number of shares outstanding					
Basic (thousands)	14	168,695	164,869	167,913	158,576
Diluted (thousands)	14	170,452	166,462	169,678	160,128
Income per share					
Basic	14	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10
Diluted	14	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

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



## DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

	Note	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
Operating activities:					
Net income		\$ 9,020	\$ 8,212	\$ 17,013	\$ 15,717
Adjustments for:					
Tax expense	12	3,555	3,273	6,552	6,222
Depreciation expense		24	25	48	51
Share-based compensation		596	537	964	931
Fair value adjustments on financial instruments		(1,038)	(905)	(1,942)	(2,559)
Interest expense on credit facilities		3,315	3,405	6,465	7,325
Other finance costs, net		1,373	1,021	2,368	1,975
Interest paid		(4,037)	(3,805)	(6,026)	(6,938)
Interest received		77	100	212	186
Taxes paid		(1,949)	(1,501)	(4,985)	(2,999)
Distributions received from NND LP		1,321	1,291	2,646	2,591
Distributions paid on Exchangeable Units	11(a)	(36)	(33)	(84)	(74)
Note receivable		-	-	-	305
Changes in non-cash operating items:					
Royalties and management fees receivable		(870)	(358)	(1,044)	(301)
Amounts receivable		(16)	327	(3)	338
Prepaid expenses and other		(109)	(16)	(178)	(83)
Accounts payable and accrued liabilities		(1,762)	(368)	(2,382)	(632)
Cash flows generated from operating activities		9,464	11,205	19,624	22,055
Financing activities:					
Proceeds from equity issuance, net of fees	8(a)	-	(5)	-	50,996
Proceeds from issuance of debt, net of fees	8(a),(b)	37,823	6,707	37,823	6,707
Payment of lease obligations		(28)	(27)	(56)	(54)
RSUs settled in cash		-	-	(6)	(5)
Payment of dividends		(9,157)	(8,837)	(18,229)	(16,869)
Repayment of debt	8(a),(b)	-	(1,426)	(5,500)	(54,345)
Cash flows generated from (used in) financing activities		28,638	(3,588)	14,032	(13,570)
Investing activities:					
Purchase of fixed assets		-	(8)	-	(8)
Additions to intangible assets	7(b)	(49,421)	-	(49,421)	-
Cash flows used in investing activities		(49,421)	(8)	(49,421)	(8)
Net increase (decrease) in cash		(11,319)	7,609	(15,765)	8,477
Cash, beginning of the period		15,252	4,899	19,692	4,031
Effect of foreign exchange rate changes on cash		(118)	-	(112)	-
Cash, end of the period		\$ 3,815	\$ 12,508	\$ 3,815	\$ 12,508

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

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

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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 and six months ended June 30, 2025 and 2024, 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 25<sup>th</sup> 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”). The Company’s Royalty Partners and the respective licence and royalty arrangements are summarized below.

Sutton Group Realty Services Ltd. (“Sutton”): SGRS Royalties Limited Partnership (“SGRS LP”) (an entity controlled by the Company), owns the trademarks and certain other intellectual property rights utilized by Sutton in its residential real estate franchise business (the “SGRS Rights”). SGRS LP granted Sutton the licence to use the SGRS Rights in exchange for a royalty payment currently equal to \$67.224 per agent per month (the “Sutton Royalty Rate”) for the number of agents included in the royalty pool (the “Sutton Royalty Pool”).

Mr. Lube Canada Limited Partnership (“Mr. Lube + Tires”): ML Royalties Limited Partnership (“ML LP”) (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by Mr. Lube + Tires in its business (the “ML Rights”). ML LP granted Mr. Lube + Tires the licence to use the ML Rights in exchange for a royalty payment currently equal to 7.95% of non-tire system sales and 2.50% of tire system sales of Mr. Lube + Tires locations in the royalty pool (the “Mr. Lube + Tires Royalty Pool”).

AIR MILES Loyalty Inc. (“AIR MILES”): AM Royalties Limited Partnership (“AM LP”) (a wholly owned subsidiary of the Company) owns the Canadian AIR MILES trademarks and certain related Canadian intellectual property rights (collectively, the “AIR MILES® Rights”) used by AIR MILES (an affiliate of the Bank of Montreal) in operating the AIR MILES® reward program in Canada (the “AIR MILES® Program”). In accordance with the terms of two licence agreements with AIR MILES (collectively, the “AIR MILES® Licences”), AIR MILES has an exclusive right to use the AIR MILES® Rights in Canada in exchange for a royalty payment equal to 1% of gross billings from the AIR MILES® Reward Program.

Mr. Mikes Restaurants Corporation (“Mr. Mikes”): MRM Royalties Limited Partnership (“MRM LP”) (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by Mr. Mikes in its restaurant business (the “MRM Rights”). MRM LP granted Mr. Mikes the licence to use the MRM Rights in exchange for a royalty based on the actual system sales of the Mr. Mikes locations in the royalty pool, which is comprised of 44 Mr. Mikes Restaurants (the “Mr. Mikes Royalty Pool”).

Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”): NND Royalties Limited Partnership (“NND LP”) (an entity that is majority-owned by the Company) has legal ownership of 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. The Company, through its ownership of NND LP Class A units, is currently entitled to receive a cash distribution of \$5.3 million per year, which grows at a fixed rate of 2.0% per annum (the “DIV Distribution Entitlement”).

Oxford Learning Centres, Inc. (“Oxford”): OX Royalties Limited Partnership (“OX LP”) (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by Oxford Learning Centres, Inc. (“Oxford”) in its supplemental education business (the “Oxford Rights”). OX LP granted Oxford the licence to use the Oxford Rights in exchange for a royalty payment currently equal to 7.67% of the gross sales of Oxford locations in the royalty pool (the “Oxford Royalty Pool”).

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

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### 1. Nature of operations (continued):

Stratus Building Solutions Franchising, LLC ("Stratus") (a US based company): Strat-B Royalties Limited Partnership ("Strat-B LP") (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by Stratus in its business (the "Stratus Rights"). Strat B LP granted Stratus the licence to use the Stratus Rights in exchange for a royalty payment currently equal to US\$6.7 million per annum which increases each November at a rate of 5% in 2025 and 2026 and 4% thereafter.

BarBurrito Restaurants Inc. ("BarBurrito"): Barb Royalties Limited Partnership ("Barb LP") (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by BarBurrito in its quick service Mexican restaurants in Canada (the "BarBurrito Rights"). Barb LP granted BarBurrito the licence to use the BarBurrito Rights in exchange for a royalty payment of \$8.6 million per annum which grows at a fixed rate of 4% per annum for the first seven years and, commencing on January 1, 2031, will fluctuate based on the gross sales of the BarBurrito locations in the royalty pool.

Cheba Hut Franchising, Inc. ("Cheba Hut") (a US based company): Cheeb Royalties Limited Partnership ("Cheeb LP") (an entity controlled by the Company) owns the trademarks and certain other intellectual property rights utilized by Cheba Hut in its business (the "Cheba Hut Rights"). Cheeb LP granted Cheba Hut the licence to use the Cheba Hut Rights in exchange for a royalty payment currently equal to US\$4.0 million per annum which increases each April at a rate equal to the greater of 3.5% and the U.S. Consumer Price Index ("U.S. CPI") plus 1.5%.

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 in accordance with IFRS Accounting Standards have been omitted or condensed. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

These condensed consolidated interim financial statements were authorized and approved for issue by the Company's Board of Directors on August 6, 2025.

#### (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 consolidated financial statements for the year ended December 31, 2024.

#### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars ("CAD").

The financial statements for each of the Company's subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which each of the entities operates. The functional currency of Strat-B LP and Cheeb LP is the United States dollar ("USD"). All other entities in the Company have a Canadian dollar functional currency. References to "\$" or "CAD" are related to Canadian dollars, while references to "US\$" or "USD" are related to United States ("US") dollars.

Subsidiaries whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities at the closing rate as at the reporting date, equity at the historical rate and income and expenses at the average rate of the period. All resulting changes are recognized in other comprehensive income as cumulative translation differences.

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

### 3. Change in material accounting policy:

These condensed consolidated interim financial statements have been prepared using the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2024 except for certain pronouncements disclosed below.

#### *Amendments to IAS 21 – Lack of Exchangeability*

On August 15, 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange (Amendments to IAS 21)* to specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not exchangeable. The amendments are effective on January 1, 2025. The amendments specify that a currency is exchangeable when it can be exchanged through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and the specified purpose. For non-exchangeable currencies, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction between market participants at the measurement date under prevailing economic conditions. The amendments are effective for annual periods beginning on or after January 1, 2025 and adoption of these amendments did not have an effect on the Company's financial statements.

### 4. Royalty income:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Mr. Lube + Tires	\$ 9,001	\$ 8,122	\$ 16,121	\$ 14,707
Stratus <sup>1</sup>	2,294	2,161	4,674	4,291
BarBurrito	2,163	2,080	4,271	4,160
Oxford	1,271	1,202	2,509	2,374
Mr. Mikes	1,065	1,072	2,080	2,078
Sutton <sup>2</sup>	871	1,067	1,742	2,135
AIR MILES®	818	928	1,574	1,820
Cheba Hut <sup>3,4</sup>	214	-	214	-
	\$ 17,697	\$ 16,632	\$ 33,185	\$ 31,565

1) Stratus royalty income for the three and six months ended June 30, 2025 was US\$1.7 million and US\$3.3 million, respectively (2024 - US\$1.6 million and US\$3.2 million, respectively) translated at an average foreign exchange rate of \$1.3839 and \$1.4091 to US\$1, respectively (2024 - \$1.3682 and \$1.3853 to US\$1, respectively).

2) Sutton royalty income is net of a 20% royalty deferral applied since the beginning of the fourth quarter of 2024.

3) Pursuant to the terms of the licence and royalty agreement between Cheba Hut and Cheeb LP dated June 17, 2025 (the "Cheba Hut Licence and Royalty Agreement"), the royalty paid by Cheba Hut to Cheeb LP is US\$4.0 million per annum, net of 10% withholding tax, and which increases at a rate equal to the greater of 3.5% and the U.S. CPI plus 1.5%.

4) Cheba Hut royalty income for both the three and six months ended June 30, 2025 was US\$156 thousand (three and six months ended June 30, 2024 – US\$nil), translated at an average foreign exchange rate of \$1.3694 to US\$1 for the period from closing of the Transaction to the end of the quarter.

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

### 5. Royalty and other receivables:

		June 30, 2025	December 31, 2024
Mr. Lube + Tires	\$	2,999	\$ 2,815
BarBurrito		823	791
Stratus <sup>1</sup>		677	716
Oxford		596	556
AIR MILES®		554	601
Mr. Mikes		518	361
Sutton		315	126
Cheba Hut <sup>2</sup>		191	-
Other		31	28
Nurse Next Door		7	7
	\$	6,711	\$ 6,001

- 1) Stratus royalty receivable was US\$0.50 million at June 30, 2025, translated at the period-end rate of \$1.3608 to US\$1 (December 31, 2024 - US\$0.5 million at December 31, 2024, translated at the period-end rate of \$1.4384 to US\$1).
- 2) Cheba Hut royalty receivable was US\$0.14 million at June 30, 2025, translated at the period-end rate of \$1.3608 to US\$1.

### 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 June 30, 2025 and December 31, 2024. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 16.2% (December 31, 2024 – 16.1%).

The total fair value of NND LP at June 30, 2025 was \$40.9 million (December 31, 2024 - \$40.9 million) and a fair value gain of \$2.7 million was recorded during the six months ended June 30, 2025 (2024 – \$2.7 million). A one percentage point increase in the discount rate would decrease the fair value by \$2.5 million (2024 - \$2.6 million). A one percentage point decrease in the discount rate would increase the fair value by \$2.9 million (2024 - \$3.0 million).

For the six months ended June 30, 2025 the DIV Distribution Entitlement was \$2.6 million net of expenses incurred by NND LP (June 30, 2024 - \$2.6 million net of expenses incurred by NND LP).

### 7. Intangible assets:

	ML Rights	AIR MILES® Rights	SGRS Rights	MRM Rights	Oxford Rights	Stratus Rights <sup>(1)</sup>	BarBurrito Rights	Cheba Hut Rights <sup>(2)</sup>	Total
Balance, December 31, 2024	\$ 181,173	\$ 24,188	\$ 25,936	\$ 42,496	\$ 41,351	\$ 86,315	\$ 108,674	\$ -	\$ 510,133
Additions	5,020	-	-	-	-	-	-	49,349	54,369
Foreign exchange	-	-	-	-	-	(4,657)	-	72	(4,585)
Balance, June 30, 2025	\$ 186,193	\$ 24,188	\$ 25,936	\$ 42,496	\$ 41,351	\$ 81,658	\$ 108,674	\$ 49,421	\$ 559,917

- 1) At June 30, 2025, the Stratus Rights were translated at the period-end rate of \$1.3608 to US\$1, giving rise to a \$4.7 million foreign exchange loss recorded to other comprehensive income. At December 31, 2024, the Stratus Rights were translated at the year-end rate of \$1.4384 to US\$1, giving rise to a \$6.9 million foreign exchange gain recorded to other comprehensive income.
- 2) At June 30, 2025, the Cheba Hut Rights were translated at the period-end rate of \$1.3608 to US\$1, giving rise to a \$0.1 million foreign exchange gain recorded to other comprehensive income.

#### (a) ML Rights:

On May 1, 2025 (the "Adjustment Date"), the Mr. Lube + Tires Royalty Pool was adjusted to include 6 new flagship Mr. Lube + Tires locations that had been open since July 1 of the previous reporting period and to remove 1 Mr. Lube + Tires flagship location that permanently closed during the previous year.

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

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### 7. Intangible assets (continued):

#### (a) ML Rights (continued):

The initial consideration paid to Mr. Lube + Tires for the estimated net additional royalty revenue from the five net new locations was \$4.0 million, representing 80% of the total estimated consideration of \$5.0 million. The initial consideration of \$4.0 million was elected by DIV to be paid in the form of 1,460,419 common shares on the basis of the 20-day volume weighted average closing price of the common shares for the period ended April 24, 2025 of \$2.7363 per common share. On the issuance of the shares on May 1, 2025, the DIV share price increased to \$2.8700, resulting in a fair value adjustment loss of \$0.2 million recorded as other finance income costs. The initial consideration is based on the forecast system sales of such locations for year ending December 31, 2025.

The remaining consideration payable for the additional royalty revenue of the five net new Mr. Lube + Tires locations added to the Mr. Lube + Tires Royalty Pool on May 1, 2025 will be paid to Mr. Lube + Tires on May 1, 2026, and will be adjusted to reflect the actual system sales of these six new locations for the year ending December 31, 2025, net of the lost system sales of the one permanently closed Mr. Lube + Tires location removed from the Mr. Lube + Tires Royalty Pool on May 1, 2025.

On May 1, 2023, the Mr. Lube + Tires Royalty Pool was adjusted to include royalties from five new flagship Mr. Lube + Tires locations. The initial consideration previously paid by DIV was \$4.7 million, which represented 80% of the total estimated consideration for those five locations, which estimate was based on the forecast system sales of these five locations for year ending December 31, 2023. As a result of a previously-announced amendment (the "LP Amendment") to the amended and restated limited partnership agreement (the "LP Agreement") of ML LP, the remaining consideration payable for the additional royalty revenue of the five Mr. Lube + Tires locations (the "2023 True-Up Locations") added to the Mr. Lube + Tires Royalty Pool on May 1, 2023 was to be paid to Mr. Lube + Tires on May 1, 2025 (as opposed to May 1, 2024), and adjusted to reflect the actual system sales of these five new locations for the year ending December 31, 2024 (as opposed to the actual system sales for the year ending December 31, 2023).

On May 1, 2025, the actual system sales for the 2023 True-Up Locations added to the Royalty Pool on May 1, 2023 was determined for the year ended December 31, 2024 to be \$10.1 million. The total consideration payable to Mr. Lube + Tires for the net additional royalty revenue of these 2023 True-Up Locations based on their actual system sales for the year ended December 31, 2024 was \$7.1 million. After taking into account the \$4.7 million previously paid by DIV to Mr. Lube + Tires on May 1, 2023 for the 2023 True-Up Locations, DIV paid Mr. Lube + Tires the remaining \$2.4 million of cash consideration for the net additional royalty revenue of these 2023 True-Up Locations on May 1, 2025.

#### (b) Cheba Hut Rights:

On June 17, 2025, the Company acquired through Cheeb LP, the Cheba Hut Rights (the "Transaction") for a purchase price of US\$36 million cash (the "Purchase Price"). The Purchase Price was funded with approximately US\$18 million drawn from DIV's amended Acquisition Facility (defined below, refer to note 8(a)), approximately US\$8 million from DIV's cash on hand, US\$5 million drawn from a new senior credit facility issued to Cheeb LP (note 8(b)), and US\$5 million drawn from a new senior term credit facility issued to DIV (the "Additional Term Facility").

Upon closing of the Transaction, Cheeb LP granted Cheba Hut the licence to use the Cheba Hut Rights for 50 years in exchange for a royalty payment currently equal to US\$4.0 million per annum which increases each April at a rate equal to the greater of 3.5% and the U.S. CPI plus 1.5%.

Cheba Hut may increase the annual royalty payable on April 1st of each year, subject to Cheba Hut satisfying certain royalty coverage tests. The amount of each royalty increase cannot be less than US\$500,000 per annum and must, in respect of amounts over that threshold, be in increments of US\$100,000 per annum. In consideration for a royalty increase on an adjustment date, Cheeb LP will pay an amount to Cheba Hut in cash, based on a multiple between seven and eight times (depending on certain conditions being met) the incremental annual royalty purchased, as additional consideration for the Cheba Rights.

### 8. Bank loans, net of deferred financing charges:

#### (a) Acquisition facility:

On June 17, 2025, DIV amended its senior secured credit facility (the "Acquisition Facility"), held with a Canadian chartered bank, to increase the size from \$50 million to \$70 million and extend the maturity date to May 30, 2027, and thereafter to June 17, 2028, if certain conditions are met.

## DIVERSIFIED ROYALTY CORP.

Notes to Condensed Consolidated Interim Financial Statements  
(Tabular amounts expressed in thousands of Canadian dollars)

For the three and six months ended June 30, 2025 and 2024

### 8. Bank loans, net of deferred financing charges (continued):

#### (a) Acquisition facility (continued):

On January 4 and February 2, 2024, the Company partially repaid \$0.45 million, respectively, on the Acquisition Facility. On February 23, 2024, DIV closed its bought deal public offering of 20,320,500 common shares (the "2024 Bought Deal Offering"), including 2,650,500 common shares issued pursuant to the full exercise of the over-allotment option, at a price of \$2.66 per common share for total gross proceeds of approximately \$54.0 million. On February 26, 2024, DIV used the incremental cash from the net proceeds of the 2024 Bought Deal Offering to pay down in full the remaining \$48.2 million outstanding balance on the Acquisition Facility to \$nil.

On June 17, 2025, DIV drew \$13.6 million plus US\$8.0 million on the Acquisition Facility, for a total of \$24.5 million to partially fund the purchase price of the acquisition of the Cheba Hut Rights, and is interest-only for twelve months and thereafter amortizes over a 60-month period, beginning June 17, 2026.

As at June 30, 2025 there was \$24.5 million outstanding on the Acquisition Facility. Net of deferred financing fees, the Acquisition Facility is measured at amortized cost with a carrying value of \$24.2 million as at June 30, 2025.

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

As at June 30, 2025, the Company had the following short and long-term loan facilities:

Long-term loan facilities	Interest rate	Maturity date	Face value	Carrying value
DIV term loan	SOFR + 2.61%	Dec 17, 2026	\$ 6,804	\$ 6,794
MRM LP term loan	CORRA + 2.80%	Dec 27, 2026	10,300	10,267
ML LP term loan	CORRA + 2.20%	May 8, 2027	84,870	84,619
OX LP term loan	CORRA + 2.25%	May 8, 2027	11,000	10,961
Strat-B LP term loan	SOFR + 2.11%	Nov 15, 2027	20,412	20,344
BARB LP term loan <sup>4</sup>	CORRA + 2.80%	Apr 9, 2028	20,000	19,880
Cheeb LP term loan	SOFR + 2.61%	Jun 17, 2028	6,804	6,783
AM LP term loan <sup>2,7</sup>	CORRA + 2.50%	Sep 30, 2029	7,200	7,115
SGRS LP term loan <sup>6</sup>	CORRA + 2.50%	Sep 30, 2029	6,300	6,261
NNDH LP term loan <sup>3,5</sup>	Prime + 0.40%	May 15, 2030	10,500	10,406
			\$ 184,190	\$ 183,430

1) All CORRA based loans are inclusive of a CORRA adjustment rate of 0.29547%, which has been included in the credit spread. All SOFR based loans are inclusive of a SOFR adjustment rate of 0.11448%, which has been included in the credit spread.

2) On February 24, 2025, AM LP made a voluntary, partial principal paydown of \$1.5 million on its credit facility, reducing the balance to \$7.2 million.

3) On March 5, 2025, NNDH LP made a voluntary, partial principal paydown of \$4.0 million on its credit facility, reducing the balance to \$10.5 million.

4) On April 10, 2025, Barb LP drew an incremental \$10.0 million on its credit facility, increasing the principal to \$20.0 million. The Company subsequently used the proceeds to pay down the \$10.0 million senior term credit facility in DIV, reducing the outstanding balance to \$nil, effectively transferring the \$10.0 million loan from DIV to Barb LP. This amendment also extended the maturity date of the Barb LP term loan from October 4, 2025 to April 9, 2028, and removed any further accordion feature from the credit facility.

5) On May 13, 2025, NND LP amended the terms of its credit agreement to extend the maturity date from May 15, 2026 to May 15, 2030.

6) On June 23, 2025, SGRS LP amended the terms of its credit agreement to extend the maturity date from June 30, 2026 to September 30, 2029, and amend the interest rate to CORRA + 2.50%.

7) On June 23, 2025, AM LP amended the terms of its credit agreement to extend the maturity date from September 30, 2026 to September 30, 2029, amend the interest rate to CORRA + 2.50%, and reduce the revolver facility to \$1.5M.

#### i. Cheeb LP Term Loan:

On June 17, 2025, to partially fund the purchase price of the Transaction, Cheeb LP, a wholly-owned subsidiary of DIV, entered into a credit agreement with a Canadian chartered bank that consists of a non-amortizing US\$5.0 million term loan and a US\$0.5 million line of credit. The Cheeb LP loan and line of credit are secured by the Cheba Hut Rights under the Cheba Hut Licence and Royalty Agreement.

#### ii. DIV Term Loan:

On June 17, 2025, to partially fund the purchase price of the Transaction, DIV entered into a new senior credit agreement with a Canadian chartered bank that consists of a non-amortizing US\$5.0 million loan with a term of approximately 18 months.

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### 8. Bank loans, net of deferred financing charges (continued):

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

As at June 30, 2025, the Company had the following operating lines of credit:

Operating lines of credit	Interest rate	Maturity date	Maximum available	Available for use
MRM LP term loan	CORRA + 2.80%	Dec 27, 2026	\$ 500	\$ 500
ML LP term loan	CORRA + 2.20%	May 8, 2027	1,000	1,000
OX LP term loan	Prime + 0.75%	May 8, 2027	500	500
Strat-B LP term loan	SOFR + 2.11%	Nov 15, 2027	680	680
BARB LP term loan	CORRA + 2.80%	Apr 9, 2028	500	500
Cheeb LP term loan	SOFR + 2.61%	Jun 17, 2028	680	680
AM LP term loan	CORRA + 2.50%	Sep 30, 2029	1,500	1,500
SGRS LP term loan	CORRA + 2.50%	Sep 30, 2029	500	500
			\$ 5,860	\$ 5,860

As at June 30, 2025, the Company was in compliance with all financial covenants associated with its term loan facilities and operating lines of credit.

### 9. Convertible debentures:

On March 30, 2022, the Company issued convertible unsecured subordinated debentures ("2027 Debentures") for an aggregate principal amount of \$52.5 million at a price of \$1,000 per debenture. The 2027 Debentures mature on June 30, 2027 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on the last day of December and June in each year. At the holder's option, the 2027 Debentures may be converted into common shares of the Company at any time prior to the earlier of the last business day immediately preceding June 30, 2027 and the date specified by the Company for redemption. The conversion price will be \$4.05 per common share (the "Conversion Price"), subject to adjustment in certain circumstances.

The following table reconciles the principal amount of the 2027 Debentures to the carrying value of the liability component:

	June 30, 2025	December 31, 2024
Principal amount - 2027 Debentures	\$ 52,500	\$ 52,500
Equity component	(3,074)	(3,074)
Unamortized deferred financing fees	(1,045)	(1,284)
Accretion on liability component	1,763	1,464
	\$ 50,144	\$ 49,606

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### 10. Interest rate swaps:

The following table summarizes the interest rate swap agreements the Company has entered into as of June 30, 2025:

Term loan facilities	Effective date	Maturity date	Fixed interest rate	Notional amount
AM LP	Jan 30, 2025	Sep 30, 2026	5.39% \$	3,850
BARB LP	Nov 2, 2023	Oct 4, 2026	7.21%	7,500
MRLP LP	Sept 27, 2024	Dec 29, 2026	5.82%	7,725
ML LP	Jan 17, 2025	May 1, 2027	5.14%	3,653
ML LP	May 1, 2025	May 3, 2027	4.78%	60,000
OX LP	Jan 17, 2025	May 1, 2027	5.19%	3,750
OX LP	Apr 28, 2025	May 3, 2027	4.78%	4,500
Strat-B LP	Jan 1, 2023	Nov 15, 2027	5.72%	15,309

- 1) On February 24, 2025, AM LP amended its swap agreement of the credit facility to change the notional amount of the swap from \$8.7 million to \$3.9 million. There was no amendment to the fixed interest rate on the swapped portion of the AM LP term loan, which remains at 5.39%.
- 2) On April 16, 2025, OX LP entered into a swap agreement with a Canadian chartered bank to swap \$4.5 million of its \$11.0 million credit facility. The swap agreement has a fixed rate of 2.53% plus credit spread of 2.25% and will mature on May 3, 2027.
- 3) On April 25, 2025, ML LP entered into a swap agreement with a Canadian chartered bank to swap \$60.0 million of its \$84.9 million credit facility. The swap agreement has a fixed rate of 2.58% plus credit spread of 2.20% and will mature on May 3, 2027.

### 11. Exchangeable units and other:

The following table summarizes exchangeable units and other as at June 30, 2025 and December 31, 2024:

Short-term Exchangeable Units & Other	June 30, 2025	December 31, 2024
Mr. Lube + Tires Class B units	\$ 999	\$ -

  

Long-term Exchangeable Units & Other	June 30, 2025	December 31, 2024
Mr. Mike's Class B units	\$ 565	\$ 517
Mr. Mike's Class C units	565	517
BarBurrito minority interest	52	52
Oxford minority interest	33	33
	\$ 1,215	\$ 1,119

#### (a) ML Units:

The balance as at June 30, 2025 of \$1.0 million (December 31, 2024 - \$nil) in exchangeable units and other relates to 20% consideration payable to Mr. Lube + Tires for the 2025 addition of five net new locations to be paid in shares on May 1, 2026 (refer to note 7(a)).

#### (b) MRM units:

Mr. Mikes is entitled to receive distributions from MRM LP on the Initial Retained Interest on a pro rata basis with the limited partnership units of MRM LP (the "MRM Units") held by DIV. The MRM Units are recorded as a liability and measured at fair value. The distributions issued by MRM LP to Mr. Mikes are recorded as an expense in the statements of net income. During the three and six months ended June 30, 2025 MRM LP issued distributions of \$0.03 million and \$0.08 million, respectively (2024 - \$0.03 million and \$0.07 million, respectively) to Mr. Mikes.

The fair value of the MRM Units is determined at the end of each period by multiplying the number of 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 June 30, 2025 the MRM Units were valued at \$1.1 million (December 31, 2024 - \$1.0 million) based on the DIV closing share price of \$3.18 as at June 30, 2025 (December 31, 2024 - \$2.91), multiplied by the total number of MRM Units of 355,032.

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### 12. Income taxes:

The income taxes recognized in the statements of net income are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Deferred income tax expense	\$ 1,144	\$ 1,207	\$ 2,184	\$ 2,652
Current income tax expense	2,411	2,066	4,368	3,570
	\$ 3,555	\$ 3,273	\$ 6,552	\$ 6,222

The tax effect of temporary differences that gives rise to the net deferred tax liabilities as at June 30, 2025 and December 31, 2024 are as follows:

	June 30,	December 31,
	2025	2024
Financing and share issuance costs	\$ 704	\$ 866
Convertible debentures	(354)	(435)
Other	(1,032)	(1,713)
Intangible assets	(24,356)	(21,577)
Net deferred income tax liability	\$ (25,038)	\$ (22,859)

The deferred tax liability as at June 30, 2025 is largely associated with the temporary differences on the Company's intangible assets, which have an undepreciated capital cost allowance of approximately \$378.9 million (December 31, 2024 - \$338.7 million). In addition, pursuant to NND LP's limited partnership agreement dated November 15, 2019, its undepreciated capital cost allowance of approximately \$38.9 million at June 30, 2025 (December 31, 2024 - \$39.9 million) is allocated to the Company for tax purposes.

Tax attributes are subject to review, and potential adjustment, by competent authority.

### 13. Share-based compensation:

The Company has a long-term incentive plan (the "Plan") available to both employees and non-employees as a form of retention and incentive compensation. Under the Plan, the maximum number of common shares available to be granted, as restricted share units, deferred share units or share options, is 7% of the issued and outstanding common shares of the Company at the time of the grant.

#### (a) Restricted share units (RSUs):

The share-based compensation expense for RSUs for the three and six months ended June 30, 2025 was approximately \$0.2 million and \$0.5 million, respectively (2024 - \$0.3 million and \$0.5 million, respectively).

The number of RSUs outstanding as at June 30, 2025 is as follows:

	2025	
	Number of RSUs	Weighted average grant-date fair value
Balance, beginning of period	621,693	\$ 2.44
Granted	259,703	2.90
Dividends earned	33,958	2.89
Settled	(153,627)	3.01
Balance, end of period	761,727	\$ 2.50

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### 13. Share-based compensation (continued):

#### (b) Deferred share units (DSUs):

The share-based compensation expense for DSUs for the three and six months ended June 30, 2025 was approximately \$0.2 million and \$0.3 million, respectively (2024 - \$0.2 million and \$0.2 million, respectively).

The number of DSUs outstanding as at June 30, 2025 is as follows:

	2025	
	Number of DSUs	Weighted average grant- date fair value
Balance, beginning of period	197,341	\$ 2.87
Granted	206,152	2.83
Dividends earned	12,779	2.93
Balance, end of period	416,272	\$ 2.85

#### (c) Share options:

The share-based compensation expense for share options for the three and six months ended June 30, 2025 was \$0.1 million and \$0.2 million, respectively (2024 - \$0.1 million and \$0.2 million, respectively). No share options were granted during the six months ended June 30, 2025.

The following table summarizes information relating to outstanding and exercisable options as at June 30, 2025:

Expiry Date	Exercise Price	Weighted average remaining life (years)
May 6, 2026	\$ 2.52	0.85
January 1, 2027	2.80	1.51
January 1, 2028	3.00	2.51
January 1, 2029	2.72	3.51
Balance, June 30, 2025		2.85

### 14. Income per share:

	Three months ended June 30,		Six months ended June 30,	
	2025		2024	
Income for the period - basic and diluted	\$ 9,020	\$ 8,212	\$ 17,013	\$ 15,717
Weighted average number of shares outstanding - basic (thousands)	168,695	164,869	167,913	158,576
Effective impact of dilutive securities (thousands):				
Share options	224	138	171	78
RSUs	762	919	823	938
DSUs	416	181	416	181
Exchangeable MRM units	355	355	355	355
Weighted average number of shares outstanding - diluted (thousands)	170,452	166,462	169,678	160,128
Income per share				
Basic	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10
Diluted	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

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### 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 term loan facilities approximate their fair value as these facilities bear interest at floating market interest rates. The fair value of the term loan facilities is measured using Level 2 inputs. The fair value of the convertible debentures is measured using Level 1 inputs. The fair value of the MRM Units, ML Units, note receivable and the interest rate swap liabilities are measured using Level 2 inputs. The fair value of the investment in NND LP (note 6) is measured using Level 3 inputs.

The following table presents the carrying amounts of each category of financial assets and liabilities as at June 30, 2025:

As at June 30, 2025	Carrying value		Fair value hierarchy		
	FVTPL	Amortized cost	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Cash	\$ -	\$ 3,815	\$ 3,815	\$ -	\$ -
Royalty and other receivables	-	6,711	-	6,711	-
Note receivable	-	1,392	-	1,392	-
Investment in NND LP	40,913	-	-	-	40,913
	<b>\$ 40,913</b>	<b>\$ 11,918</b>	<b>\$ 3,815</b>	<b>\$ 8,103</b>	<b>\$ 40,913</b>
<b>Financial liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ 2,406	\$ -	\$ 2,406	\$ -
Long-term accrued liabilities	249	-	249	-	-
Bank loans, net of deferred financing	-	207,573	-	207,573	-
Promissory notes (current and non-current)	-	35,252	-	35,252	-
Interest rate swap liabilities	578	-	-	578	-
Lease obligation	-	598	-	598	-
Convertible debentures	-	50,144	50,144	-	-
Exchangeable units and other (current and non-current)	2,214	-	-	2,214	-
	<b>\$ 3,041</b>	<b>\$ 295,973</b>	<b>\$ 50,393</b>	<b>\$ 248,621</b>	<b>\$ -</b>

### 16. Subsequent events:

Barb LP swap agreement:

Effective July 2, 2025, Barb LP entered into a swap agreement with a Canadian chartered bank to swap an additional \$7.5 million of its \$20.0 million credit facility, increasing the total swapped portion of the facility to \$15.0 million. The swap agreement has a fixed rate of 2.65% plus credit spread of 2.80% and will mature on April 9, 2028.