

Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three months ended March 31, 2026 and 2025

DIVERSIFIED ROYALTY CORP.Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of Canadian dollars)

As at March 31, 2026 and December 31, 2025

	Note	March 31, 2026	December 31, 2025
Assets			
Current assets:			
Cash		\$ 46,490	\$ 4,609
Royalty and other receivables	5	7,086	6,582
Income tax receivable		340	-
Prepaid expenses and other		239	217
		54,155	11,408
Interest rate swap assets	10	292	189
Right-of-use asset and other		506	527
Note receivable		1,474	1,447
Investment in NND LP	6	39,853	39,760
Intangible assets	7	560,424	558,921
		\$ 656,704	\$ 612,252
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 4,514	\$ 1,958
Bank loans, net of deferred financing charges	8	6,909	9,137
Contingent consideration	12	6,200	3,280
Exchangeable units and other	11	935	935
Interest rate swap liabilities	10	491	595
Income tax payable		-	964
		19,049	16,869
Long-term accrued liabilities		209	79
Bank loans, net of deferred financing charges	8	177,258	195,749
Convertible debentures	9	113,743	50,702
Contingent consideration	12	24,268	29,676
Exchangeable units and other	11	1,543	1,405
Interest rate swap liabilities	10	-	170
Lease obligation		537	558
Deferred income tax liability	13	30,491	28,450
Shareholders' equity:			
Share capital		332,687	330,547
Contributed surplus		39,919	40,190
Equity component of convertible debentures	9	7,453	5,127
Accumulated other comprehensive income		3,679	2,262
Accumulated deficit		(94,132)	(89,532)
		289,606	288,594
		\$ 656,704	\$ 612,252

Subsequent events (note 17)

The accompanying notes are an integral part of these consolidated 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 months ended March 31, 2026 and 2025

	Note	Three months ended March 31,	
		2026	2025
Royalty income	4	\$ 17,326	\$ 15,488
Management fees		156	151
		17,482	15,639
Expenses:			
Salaries and benefits		696	696
Share-based compensation	14	796	368
General and administration		1,415	214
Professional fees		206	130
Impairment	7	348	-
		3,461	1,408
Income from operations		14,021	14,231
Interest expense on credit facilities		(3,965)	(3,150)
Other finance costs, net		(1,226)	(995)
Fair value adjustment on financial instruments		1,677	904
Income before income taxes		10,507	10,990
Income tax expense	13	2,942	2,997
Net income for the period		\$ 7,565	\$ 7,993
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment		1,417	11
Other comprehensive income for the period		\$ 1,417	\$ 11
Total comprehensive income for the period		\$ 8,982	\$ 8,004
Weighted average number of shares outstanding			
Basic (thousands)	15	170,762	167,123
Diluted (thousands)	15	173,307	168,669
Income per share			
Basic	15	\$ 0.04	\$ 0.05
Diluted	15	\$ 0.04	\$ 0.05

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

As at March 31, 2026 and 2025

	Note	Common shares (thousands)	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Accumulated deficit	Total equity
Balance, December 31, 2025		170,606	\$ 330,547	\$ 40,190	\$ 5,127	\$ 2,262	\$ (89,532)	\$ 288,594
Common shares issued on DRIP		411	1,612	-	-	-	-	1,612
Common shares issued on RSUs settled		131	528	(390)	-	-	-	138
Share-based compensation - net of RSUs settled		-	-	119	-	-	-	119
Dividends declared		-	-	-	-	-	(12,165)	(12,165)
Issuance of convertible debentures, net of fees	9	-	-	-	2,326	-	-	2,326
Comprehensive income		-	-	-	-	1,417	7,565	8,982
Balance, March 31, 2026		171,148	\$ 332,687	\$ 39,919	\$ 7,453	\$ 3,679	\$ (94,132)	\$ 289,606

	Note	Common shares (thousands)	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Accumulated deficit	Total equity
Balance, December 31, 2024		166,944	\$ 319,509	\$ 40,862	\$ 5,127	\$ 5,000	\$ (81,698)	\$ 288,800
Common shares issued on DRIP		501	1,371	-	-	-	-	1,371
Common shares issued on RSUs settled		122	286	(357)	-	-	-	(71)
Share-based compensation - net of RSUs settled		-	-	183	-	-	-	183
Dividends declared		-	-	-	-	-	(10,443)	(10,443)
Comprehensive income		-	-	-	-	11	7,993	8,004
Balance, March 31, 2025		167,567	\$ 321,166	\$ 40,688	\$ 5,127	\$ 5,011	\$ (84,148)	\$ 287,844

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 months ended March 31, 2026 and 2025

	Note	Three months ended March 31,	
		2026	2025
Operating activities:			
Net income		\$ 7,565	\$ 7,993
Adjustments for:			
Tax expense	13	2,942	2,997
Impairment	7	348	-
Depreciation expense		25	24
Share-based compensation		796	368
Fair value adjustments on financial instruments		(1,677)	(904)
Interest expense on credit facilities		3,965	3,150
Other finance costs, net		1,226	995
Interest paid		(2,356)	(1,989)
Interest received		80	135
Taxes paid		(3,066)	(3,036)
Distributions received from NND LP		1,345	1,325
Distributions paid on Exchangeable Units	11(b)	(21)	(48)
Payment of contingent consideration	12	(3,280)	-
Changes in non-cash operating items:			
Royalties and management fees receivable		(518)	(174)
Amounts receivable		13	13
Prepaid expenses and other		(90)	(69)
Accounts payable and accrued liabilities		421	(620)
Cash flows generated from operating activities		7,718	10,160
Financing activities:			
Proceeds from issuance of convertible debentures, net of fees	9	65,848	-
Payment of lease obligations		(28)	(28)
RSUs settled in cash		(7)	(6)
Payment of dividends, net of DRIP		(10,553)	(9,072)
Repayment of debt	8(a)	(21,174)	(5,500)
Cash flows generated from (used) in financing activities		34,086	(14,606)
Investing activities:			
Purchase of fixed assets		(5)	-
Cash flows used in investing activities		(5)	-
Net increase (decrease) in cash		41,799	(4,446)
Cash, beginning of the period		4,609	19,692
Effect of foreign exchange rate changes on cash		82	6
Cash, end of the period		\$ 46,490	\$ 15,252

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 months ended March 31, 2026 and 2025

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, 2026 and 2025, 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”). 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”). The Company granted Sutton the licence to use the SGRS Rights in exchange for a fixed royalty payment currently equal to \$4.4 million (before 33.3% royalty relief) per annum which increases each July at a fixed rate of 2.0% per annum.

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”). The Company 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 (“BMO”)) and in operating the AIR MILES® reward program in Canada. In accordance with the terms of two licence agreements with AIR MILES (collectively, the “AIR MILES® Licences”) that were amended on January 26, 2026 (the “Amendment”), AIR MILES, now called BMO Blue Rewards, Inc. (“BMO BLUE”), has an exclusive right to use the AIR MILES® Rights in Canada in exchange for a fixed annual royalty payment of \$3.9 million paid quarterly over ten years ending January 31, 2036. Prior to the Amendment, the royalty payment was equal to 1% of gross billing of the AIR MILES® reward program. The fixed royalty payments, which are guaranteed by BMO, grows at a rate of 2.42% per annum commencing February 1, 2027, and each February 1st thereafter.

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”). The Company granted Mr. Mikes the licence to use the MRM Rights in exchange for a royalty payment currently equal to 4.35% of the gross 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 \$5.4 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”). The Company 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.

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(Tabular amounts expressed in thousands of Canadian dollars)

For the three months ended March 31, 2026 and 2025

1. Nature of operations (continued):

SBS 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”). The Company granted Stratus the licence to use the Stratus Rights in exchange for a royalty payment currently equal to US\$7.0 million per annum which increases each November at a rate of 5% each year until and including 2026 and 4% each November 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”). The Company granted BarBurrito the licence to use the BarBurrito Rights in exchange for a royalty payment of \$9.4 million per annum (including the 2026 BarBurrito Adjustment, refer to note 12) 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 (the “BarBurrito 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\$5.1 million per annum (including Incremental Cheba Hut Royalty, refer to subsequent events note 17(a)) 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, 2025.

These condensed consolidated interim financial statements were authorized and approved for issue by the Company’s Board of Directors on May 14, 2026.

(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, 2025.

(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 months ended March 31, 2026 and 2025

3. Material accounting policies:

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, 2025 except for certain pronouncements disclosed below.

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7. These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs, and amended disclosures relating to equity instruments designated at fair value through other comprehensive income.

The amendments are effective for periods beginning on or after January 1, 2026, and adoption of these amendments did not have an effect on our condensed consolidated interim financial statements.

4. Royalty income:

	Three months ended March 31,	
	2026	2025
Mr. Lube + Tires	\$ 7,417	\$ 7,120
Stratus ¹	2,389	2,380
BarBurrito	2,225	2,108
Cheba Hut ³	1,370	-
Oxford	1,258	1,238
Mr. Mikes	1,004	1,015
AIR MILES®	922	756
Sutton ²	741	871
	\$ 17,326	\$ 15,488

- 1) Stratus royalty income for the three months ended March 31, 2026 was US\$1.7 million, translated at an average foreign exchange rate of \$1.3716 to US\$1 (three months ended March 31, 2025 – US\$1.7 million, translated at an average foreign exchange rate of \$1.4344 to US\$1).
- 2) Sutton royalty income for the three months ended March 31, 2026 is net of a 33.3% royalty relief. Sutton royalty income for the three months ended March 31, 2025 is net of a 20% royalty deferral.
- 3) Cheba Hut royalty income for the three months ended March 31, 2026 was US\$1.0 million, translated at an average foreign exchange rate of \$1.3716 to US\$1 (three months ended March 31, 2025 – US\$nil).

DIVERSIFIED ROYALTY CORP.

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For the three months ended March 31, 2026 and 2025

5. Royalty and other receivables:

	March 31, 2026	December 31, 2025
Mr. Lube + Tires	\$ 2,815	\$ 2,782
BarBurrito	892	823
Stratus ¹	727	717
Oxford	678	620
AIR MILES®	654	564
Mr. Mikes	450	355
Sutton	437	270
Cheba Hut ²	417	422
Other	9	22
Nurse Next Door	7	7
	\$ 7,086	\$ 6,582

- 1) Stratus royalty receivable was US\$0.6 million at March 31, 2026, translated at the period-end rate of \$1.3916 to US\$1 (December 31, 2025 - \$0.5 million, translated at the year-end rate of \$1.4384 to US\$1).
- 2) Cheba Hut royalty receivable was US\$0.3 million at March 31, 2026, translated at the period-end rate of \$1.3916 to US\$1 (December 31, 2025 – US\$nil).

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, 2026 and December 31, 2025. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 16.8% (December 31, 2025 - 16.8%).

The total fair value of NND LP was \$39.9 million (December 31, 2025 - \$39.8 million) and a fair value gain of \$1.4 million was recorded during the three months ended March 31, 2026 (2025 – fair value gain of \$1.3 million). A one percentage point increase in the discount rate would decrease the fair value by \$2.3 million (2025 - \$2.5 million). A one percentage point decrease in the discount rate would increase the fair value by \$2.7 million (2025 - \$2.9 million).

7. Intangible assets:

	ML Rights	AIR MILES® Rights	SGRS Rights	MRM Rights	Oxford Rights	Stratus Rights ⁽¹⁾	BarBurrito Rights	Cheba Hut Rights ⁽²⁾	Total
Balance, December 31, 2025	\$ 186,193	\$ 27,360	\$ 22,108	\$ 40,887	\$ 41,351	\$ 82,353	\$ 108,674	\$ 49,995	\$ 558,921
Foreign exchange	-	-	-	-	-	1,152	-	699	1,851
Impairment ^(a)	-	(348)	-	-	-	-	-	-	(348)
Balance, March 31, 2026	\$ 186,193	\$ 27,012	\$ 22,108	\$ 40,887	\$ 41,351	\$ 83,505	\$ 108,674	\$ 50,694	\$ 560,424

- 1) At March 31, 2026, the Stratus Rights were translated at the period-end rate of \$1.3916 to US\$1, giving rise to a \$1.2 million foreign exchange gain recorded to other comprehensive income. At December 31, 2025, the Stratus Rights were translated at the year-end rate of \$1.3724 to US\$1, giving rise to a \$4.0 million foreign exchange loss recorded to other comprehensive income.
- 2) At March 31, 2026, the Cheba Hut Rights were translated at the period-end rate of \$1.3916 to US\$1, giving rise to a \$0.7 million foreign exchange gain recorded to other comprehensive income. At December 31, 2025, the Cheba Hut Rights were translated at the year-end rate of \$1.3724 to US\$1, giving rise to a \$0.5 million foreign exchange gain recorded to other comprehensive income.

(a) AIR MILES® Rights:

As per the Amendment, the Company will continue to own and control the AIR MILES® Rights beyond the end of the ten-year fixed royalty period and retains the ability to sell, license or otherwise monetize the rights thereafter. As a result, the AIR MILES® Rights continue to be classified as an intangible asset with an indefinite useful life and are not amortized. Given the determinable nature of the fixed royalty and payment term under the Amendment, the recoverable amount of the AIR MILES® Rights is expected to decline over the remaining term as the royalty payments are received. While the Company expects the AIR MILES® Rights to retain some residual value at the end of the fixed term, the extent of future monetization beyond January 31, 2036 is uncertain. Accordingly, the Company will assess the AIR MILES® Rights for impairment at each reporting date in accordance with IAS 36 as the Amendment progresses. Based on this impairment assessment, the Company recorded an impairment loss of \$0.3 million for the three months ended March 31, 2026.

DIVERSIFIED ROYALTY CORP.

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

For the three months ended March 31, 2026 and 2025

8. Bank loans, net of deferred financing charges:

	March 31, 2026	December 31, 2025
Term loan facilities	\$ 184,324	\$ 183,770
Acquisition facility (refer to note 8 (a))	(157)	21,116
	184,167	204,886
Less: current portion (refer to note 8 (a),(b))	(6,909)	(9,137)
Long-term portion	\$ 177,258	\$ 195,749

(a) Acquisition facility:

The following table reconciles the Acquisition Facility to the carrying value as at March 31, 2026 and December 31, 2025:

Acquisition facility	March 31, 2026	December 31, 2025
Balance, beginning of period	\$ 21,116	\$ (72)
Draws on Acquisition Facility	-	24,458
Deferred financing costs	(157)	(118)
Principal paydowns	(21,174)	(3,285)
Foreign exchange	58	133
Balance, end of the period	\$ (157)	\$ 21,116
Less: current portion	-	(2,328)
Long-term portion	\$ (157)	\$ 18,788

As at December 31, 2025, the Company had \$22.0 million in combined US and Canadian dollars draws outstanding on its senior secured credit facility (the "Acquisition Facility"). Net of deferred financing fees, the Acquisition Facility had a carrying value of \$21.1 million as at December 31, 2025, of which \$2.3 million was classified as short-term.

On February 17, 2026, DIV used a portion of the net proceeds from the Offering (defined below, refer to note 9) to voluntarily paydown the respective US\$6.5 million and \$12.4 million portions of its Acquisition Facility. As at March 31, 2026, the Company had \$nil outstanding principal. Any residual carrying amount is related to deferred financing fees.

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

As at March 31, 2026, the Company had the following short and long-term loan facilities:

Term loan facilities	Interest rate ¹	Maturity date	Face value	Carrying value
DIV term loan ²	SOFR + 2.61%	Dec 17, 2026	\$ 6,958	\$ 6,909
ML LP term loan	CORRA + 2.20%	May 8, 2027	84,870	84,717
OX LP term loan	CORRA + 2.25%	May 8, 2027	11,000	10,976
Strat-B LP term loan	SOFR + 2.11%	Nov 15, 2027	20,874	20,826
BARB LP term loan	CORRA + 2.80%	Apr 9, 2028	20,000	19,911
Cheeb LP term loan	SOFR + 2.61%	Jun 17, 2028	6,958	6,941
AM LP term loan	CORRA + 2.80%	Sep 30, 2029	7,200	7,128
SGRS LP term loan	CORRA + 2.80%	Sep 30, 2029	6,300	6,267
MRM LP term loan	CORRA + 3.30%	Dec 15, 2029	10,300	10,238
NNDH LP term loan	Prime + 0.40%	May 15, 2030	10,500	10,411
			\$ 184,960	\$ 184,324
Less: current portion ²				(6,909)
Long-term portion				\$ 177,415

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) DIV's term loan is classified as short-term as its maturity date is December 17, 2026.

DIVERSIFIED ROYALTY CORP.

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

For the three months ended March 31, 2026 and 2025

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

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

As at March 31, 2026, the Company had the following operating lines of credit:

Operating lines of credit	Interest rate	Maturity date		Maximum available	Available for use
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		696	696
BARB LP term loan	CORRA + 2.80%	Apr 9, 2028		500	500
Cheeb LP term loan	SOFR + 2.61%	Jun 17, 2028		696	696
AM LP term loan	CORRA + 2.80%	Sep 30, 2029		1,500	1,500
SGRS LP term loan	CORRA + 2.80%	Sep 30, 2029		500	500
MRM LP term loan	CORRA + 3.30%	Dec 15, 2029		500	500
			\$	5,892	\$ 5,892

As at March 31, 2026, 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, 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:

		March 31, 2026	December 31, 2025
Principal amount - 2027 Debentures	\$	52,500	\$ 52,500
Equity component		(3,074)	(3,074)
Unamortized deferred financing fees		(670)	(797)
Accretion on liability component		2,233	2,073
	\$	50,989	\$ 50,702

On February 9, 2026, the Company issued \$60 million aggregate principal amount of 5.75% convertible unsecured subordinated debentures (the “2031 Debentures”), at a price of \$1,000 per debenture (the “Offering”). The 2031 Debentures mature on March 31, 2031 and bear interest at an annual rate of 5.75% payable semi-annually in arrears on the last day of March and September in each year. At the holder’s option, the 2031 Debentures may be converted into common shares of the Company at any time prior to the earlier of the last business day immediately preceding March 31, 2031 and the date specified by the Company for redemption. The conversion price will be \$5.35 per common share (the “Conversion Price”), subject to adjustment in certain circumstances. On February 12, 2026, the Company issued an additional \$9.0 million aggregate principal amount of 2031 Debentures upon the exercise by the underwriters of the over-allotment option in full.

The 2031 Debentures are not redeemable on or before March 31, 2029. After March 31, 2029 and prior to March 31, 2030, the 2031 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 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 March 31, 2030 and prior to the maturity date, DIV may, at its option, redeem the 2031 Debentures, in whole or in part, from time to time at par plus accrued and unpaid interest.

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9. Convertible debentures (continued):

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the 2031 Debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing \$1,000 of principal amount of the debentures by 95% of the current market price on the maturity date.

On initial recognition, the Company valued the liability components of the 2031 Debentures at \$65.7 million and the equity components at \$3.3 million. In addition, the Company incurred transaction costs of \$3.3 million, of which \$3.1 million was allocated to the liability component and \$0.2 million was allocated to the equity component. The net amount recognized as the equity component of the 2031 Debentures, after deferred taxes of \$0.9 million, respectively, was \$2.5 million.

The following table reconciles the principal amount of the 2031 Debentures to the carrying value of the liability component:

		March 31, 2026	December 31, 2025
Principal amount - 2031 Debentures	\$	69,000	\$ -
Equity component		(3,347)	-
Unamortized deferred financing fees		(3,032)	-
Accretion on liability component		133	-
	\$	62,754	\$ -

10. Interest rate swaps:

The following table summarizes the interest rate swap agreements the Company has entered into as of March 31, 2026:

Term loan facilities	Effective date	Maturity date	Fixed interest rate	Notional amount
AM LP	Jan 30, 2025	Sep 30, 2026	5.94% \$	3,850
BARB LP	Nov 2, 2023	Oct 4, 2026	7.21%	7,500
BARB LP	July 2, 2025	Oct 4, 2026	5.45%	7,500
MRM LP	Sept 27, 2024	Dec 29, 2026	6.32%	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%	15,656
CHEEB LP	Sept 15, 2025	Jun 17, 2028	5.97%	5,219

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11. Exchangeable units and other:

The following table summarizes exchangeable units and other as at March 31, 2026 and December 31, 2025:

Exchangeable units and other	March 31, 2026	December 31, 2025
Mr. Lube + Tires Class B units	\$ 935	\$ 935
Mr. Mike's Class B units	729	660
Mr. Mike's Class C units	729	660
BarBurrito minority interest	52	52
Oxford minority interest	33	33
	\$ 2,478	\$ 2,340
Less: current portion	(935)	(935)
Long-term exchangeable units and other	\$ 1,543	\$ 1,405

(a) ML Units:

The balance as at March 31, 2026 of \$0.9 million (December 31, 2025 - \$0.9 million) 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 subsequent events (note 17(b)).

(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 months ended March 31, 2026, MRM LP issued distributions of \$0.02 million (2025 - \$0.05 million) 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 March 31, 2026, the MRM Units were valued at \$1.5 million (December 31, 2025 - \$1.3 million) based on the DIV closing share price of \$4.11 as at March 31, 2026 (December 31, 2025 - \$3.72), multiplied by the total number of MRM Units of 355,032.

12. Contingent consideration:

The following table summarizes contingent consideration as at March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Barb LP	\$ 26,804	\$ 29,398
MRM LP	3,664	3,558
	30,468	32,956
Less: current portion - Barb LP	(6,200)	(3,280)
Long-term portion	\$ 24,268	\$ 29,676

Contingent consideration consists of various promissory notes. The balances are established with regard to Barb LP and MRM LP and are payable to BarBurrito and Mr. Mikes, respectively, upon eligible new locations added to the respective royalty pools. No cash outflows are expected to occur in respect of contingent considerations until certain respective royalty coverage tests are met, at which time there would be an associated increase in royalty revenue. The contingent consideration balances are initially recorded at a fair value and are subsequently measured at amortized cost using the effective interest method.

On March 1, 2026, the BarBurrito Royalty Pool was adjusted to add nine eligible BarBurrito restaurants to the BarBurrito Royalty Pool (the "2026 BarBurrito Adjustment") for an incremental royalty payment increase of \$0.4 million per annum, effective March 1, 2026, in exchange for \$3.3 million in consideration paid to BarBurrito, resulting in a corresponding reduction to the Barb LP promissory note.

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13. Income taxes:

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

	Three months ended March 31,	
	2026	2025
Deferred income tax expense	\$ 1,180	\$ 1,040
Current income tax expense	1,762	1,957
	<u>\$ 2,942</u>	<u>\$ 2,997</u>

The tax effect of temporary differences that gives rise to the net deferred tax liabilities as at March 31, 2026 and December 31, 2025 are as follows:

	March 31,	December 31,
	2026	2025
Financing and share issuance costs	\$ 520	\$ 560
Convertible debentures	(1,095)	(270)
Other	(1,567)	(1,775)
Intangible assets	(28,349)	(26,965)
Net deferred income tax liability	<u>\$ (30,491)</u>	<u>\$ (28,450)</u>

The deferred tax liability as at March 31, 2026 is largely associated with the temporary differences on the Company's intangible assets, which have an undepreciated capital cost allowance of approximately \$363.1 million (December 31, 2025 - \$368.0 million). In addition, pursuant to NND LP's limited partnership agreement dated November 15, 2019, its undepreciated capital cost allowance of approximately \$37.4 million at March 31, 2026 (December 31, 2025 - \$37.9 million) is allocated for tax purposes.

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

14. 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 months ended March 31, 2026 was approximately \$0.2 million (2025 - \$0.3 million) for RSUs vested during the period and \$0.3 million (2025 - \$0.02 million) for RSUs settled during the period. There was also a \$0.2 million (2025 - \$0.01 million gain) revaluation loss recorded to stock base compensation expense during the period ended March 31, 2026.

The number of RSUs outstanding as at March 31, 2026 is as follows:

	2026	
	Number of RSUs	Weighted average fair value
Balance, beginning of period	519,653	\$ 1.89
Granted	225,117	3.73
Dividends earned	12,103	4.05
Settled	(168,054)	4.01
Balance, end of period	<u>588,819</u>	<u>\$ 2.03</u>

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14. Share-based compensation (continued):

(b) Deferred share units (DSUs):

The share-based compensation expense for DSUs for the three months ended March 31, 2026 was approximately \$0.03 million (2025 - \$0.03 million).

The number of DSUs outstanding as at March 31, 2026 is as follows:

	2026	
	Number of DSUs	Weighted average fair value
Balance, beginning of period	448,341	\$ 2.90
Granted	7,043	4.08
Dividends earned	7,885	4.05
Balance, end of period	463,269	\$ 2.94

(c) Share options:

The share-based compensation expense for the three months ended March 31, 2026 was approximately \$0.1 million (2025 - \$0.1 million) related to share options vested during the period. No share options were granted during the three months ended March 31, 2026 and 2025.

The following table summarizes information relating to outstanding and exercisable options as at March 31, 2026:

Expiry Date	Exercise Price	Weighted average remaining life (years)	Options outstanding	Options exercisable
January 1, 2027	2.80	0.76	222,223	222,223
January 1, 2028	3.00	1.76	708,333	708,333
January 1, 2029	2.72	2.76	2,333,333	166,667
Balance, March 31, 2026		2.40	3,263,889	1,097,223

15. Income per share:

	Three months ended March 31,	
	2026	2025
Income for the period - basic and diluted	\$ 7,565	\$ 7,993
Weighted average number of shares outstanding - basic (thousands)	170,762	167,123
Effective impact of dilutive securities (thousands):		
Share options	999	114
RSUs	728	865
DSUs	463	212
Exchangeable MRM units	355	355
Weighted average number of shares outstanding - diluted (thousands)	173,307	168,669
Income per share		
Basic	\$ 0.04	\$ 0.05
Diluted	\$ 0.04	\$ 0.05

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16. 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 March 31, 2026:

As at March 31, 2026	Carrying value		Fair value hierarchy		
	FVTPL	Amortized cost	Level 1	Level 2	Level 3
Financial assets:					
Cash	\$ -	\$ 46,490	\$ 46,490	\$ -	\$ -
Royalty and other receivables	-	7,086	-	7,086	-
Interest rate swap assets	292	-	-	292	-
Note receivable	-	1,474	-	1,474	-
Investment in NND LP	39,853	-	-	-	39,853
	\$ 40,145	\$ 55,050	\$ 46,490	\$ 8,852	\$ 39,853
Financial liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 4,514	\$ -	\$ 4,514	\$ -
Long-term accrued liabilities	209	-	209	-	-
Bank loans, net of deferred financing (current and non-current)	-	184,167	-	184,167	-
Contingent consideration (current and non-current)	-	30,468	-	30,468	-
Interest rate swap liabilities	491	-	-	491	-
Lease obligation	-	537	-	537	-
Convertible debentures	-	113,743	113,743	-	-
Exchangeable units and other (current and non-current)	2,478	-	-	2,478	-
	\$ 3,178	\$ 333,429	\$ 113,952	\$ 222,655	\$ -

17. Subsequent events:

(a) Cheba Hut incremental royalty purchase:

On April 1, 2026, Cheeb LP purchased a US\$0.9 million annualized incremental royalty from Cheba Hut for US\$7.2 million. The incremental royalty acquired from Cheba Hut of US\$75,000 per month ("Incremental Cheba Hut Royalty") is effective April 1, 2026. In addition, on each adjustment date the royalty payable by Cheba Hut is automatically increased at a rate equal to the greater of 3.5% and the U.S. CPI + 1.5% per year without any further consideration payable by DIV or Cheeb LP.

(b) DIV announces agreement to acquire Mr. Lube + Tires franchisor business:

On May 14, 2026, DIV announced that it, and its newly formed wholly owned subsidiary (the "Purchaser"), entered into a definitive agreement (the "Acquisition Agreement") with Mr. Lube Canada Limited Partnership and Mr. Lube Canada GP Inc. for the strategic acquisition of the Mr. Lube + Tires franchisor business in Canada (the "Acquisition") for an aggregate purchase price of \$235 million, subject to customary closing and post-closing adjustments (the "Purchase Price").

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17. Subsequent events (continued):

- (b) DIV announces agreement to acquire Mr. Lube + Tires franchisor business (continued):

The \$235 million Purchase Price plus estimated transaction costs of \$2.0 million will be funded by (i) \$34 million from DIV's cash on hand, (ii) \$41.1 million from DIV's existing undrawn Acquisition Facility capacity, (iii) \$212.5 million drawn from a new senior credit facility obtained by the Purchaser (the "Purchaser Credit Facility") (resulting in a net increase in senior debt of \$127.6 million as described further below), (iv) \$13.7 million in DIV shares issued at a price of \$3.98 per share on a private placement basis (3.4 million shares) to various equity holders of Mr. Lube + Tires (which shares will be subject to a statutory four-month hold period), and (v) \$20.6 million of rolled equity into the Purchaser issued to management of Mr. Lube + Tires resulting in a retained interest in the Purchaser of approximately 4%. Mr. Lube + Tires will also provide the Purchaser with an \$11.6 million non-interest-bearing loan to fund the GST related to the Acquisition, of which \$9.2 million will be payable by the Purchaser on the earlier of six months following closing of the Acquisition and the receipt by the Purchaser of a GST refund in respect of the Acquisition, and \$2.4 million, representing an indemnity holdback, will be payable by the Purchaser one year post closing.

The Purchaser entered into a credit agreement with a lending syndicate (the "Purchaser Credit Agreement") which will govern the \$212.5 million Purchaser Credit Facility to be drawn to fund a portion of the Purchase Price. In connection with the Acquisition, DIV intends to cause \$84.9 million of existing term loan indebtedness of ML LP to be repaid from the proceeds of the Purchaser Credit Facility, resulting in a net increase in consolidated senior debt in the Purchaser of \$127.6 million. The Purchaser Credit Agreement provides for a total indebtedness of up to \$222.5 million consisting of a revolving credit facility in the maximum amount of \$60 million to be used to finance working capital and general corporate requirements, including a portion which may be used to finance the Acquisition, and a non-revolving term facility of \$162.5 million (the "Purchaser Term Loan Facility"). The Purchaser Term Loan Facility has a term of approximately five years, bears interest at a floating rate based on CORRA plus a spread based on prevailing market rates, and amortizes on a scheduled basis following an initial six-month interest-only period. The Purchaser Credit Facility will be secured by the assets of the Purchaser and its subsidiaries and the Purchaser Credit Agreement has covenants customary for this type of credit facility. The advance of funds under the Purchaser Credit Agreement remains subject to customary closing conditions including completion of the Acquisition.

Mr. Lube + Tires is required to continue to pay royalties and management fees to DIV and ML LP up to the closing of the Acquisition, upon which those arrangements will be terminated. In addition, pursuant to the Acquisition Agreement, Mr. Lube + Tires and DIV agreed to waive the annual adjustment to the Mr. Lube + Tires royalty pool in 2026, any adjustment to the Mr. Lube + Tires royalty rate and the true-up in respect of the 2025 adjustment to the Mr. Lube + Tires royalty pool provided the Acquisition completes in accordance with the Acquisition Agreement, failing which these transactions will be deferred to a later date in 2026.

Closing of the Acquisition is subject to customary closing conditions including the receipt of certain regulatory approvals.

- (c) Cheeb LP amendment agreement:

On May 14, 2026, Cheeb LP amended the terms of its credit agreement to increase its credit facility by US\$7.5 million from US\$5.0 million to US\$12.5 million. This amendment also extended the maturity date of the Cheeb LP term loan from June 17, 2028 to May 14, 2029, and removed any further accordion feature from the credit facility.