

DIVERSIFIED ROYALTY CORP.

Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in Canadian dollars)

Year ended December 31, 2014

6. Deferred income taxes (continued):

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to the profit before taxes. The reason for the difference is as follows:

	2014	2013
Loss before taxes	\$ (2,356,974)	\$ (3,681,962)
Combined Canadian federal and provincial rates	26.00%	26.55%
Expected tax recovery	(612,813)	(977,405)
Increased (reduced) by:		
Permanent and other non-deductible differences	83,708	112,226
Change in unrecognized deferred tax assets	(9,250,107)	-
Change in unrecognized temporary and other differences	-	865,179
Changes in prior year estimates	-	(95,500)
Total tax expense per the statement of operations and comprehensive loss	\$ (9,779,212)	\$ (95,500)

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

	2014	2013
Deferred tax asset:		
Non-capital losses	\$ 9,455,525	\$ -
Financing costs	439,068	-
Accounts payable and accrued liabilities	431,395	-
Intangible assets	222,555	-
Investment tax credits	229,395	-
Gross deferred tax asset	10,777,938	-
Deferred tax liability:		
Franworks Rights	(449,889)	-
Net deferred tax asset	\$ 10,328,049	\$ -