

Interim condensed consolidated financial statements of

## **EVERTZ TECHNOLOGIES LIMITED**

Three month and Nine month periods ended January 31, 2017 and 2016  
(Unaudited)

## **MANAGEMENT REPORT**

The management of Evertz Technologies Limited (“Evertz” or the “Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the auditor. These interim condensed consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for the fair presentation of the consolidated financial position, results of operations and cash flows.

# EVERTZ TECHNOLOGIES LIMITED

Index to Financial Statements  
(Unaudited)

Interim condensed consolidated financial statements  
Three month and Nine month periods ended January 31, 2017 and 2016

Interim Condensed Consolidated Statements of Financial Position .....	4
Interim Condensed Consolidated Statements of Changes in Equity .....	5
Interim Condensed Consolidated Statements of Earnings .....	6
Interim Condensed Consolidated Statements of Comprehensive Earnings .....	7
Interim Condensed Consolidated Statements of Cash Flows .....	8
Notes to the Interim Condensed Consolidated Financial Statements .....	9-14

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Financial Position  
(Unaudited)

As at January 31, 2017 and April 30, 2016  
(In thousands of Canadian dollars)

	January 31, 2017	April 30, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 64,094	\$ 123,102
Trade and other receivables	81,302	97,435
Prepaid expenses	4,873	6,307
Inventories	172,694	155,957
Income tax receivable	393	4,256
	323,356	387,057
Property, plant and equipment (note 3)	43,055	42,971
Goodwill	17,943	18,286
	\$ 384,354	\$ 448,314
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 41,469	\$ 49,815
Provisions (note 4)	4,091	3,563
Deferred revenue	21,948	18,529
Current portion of long term debt	243	238
	67,751	72,145
Long term debt	730	888
Deferred income taxes	4,144	5,545
	72,625	78,578
<b>Equity</b>		
Capital stock (note 5)	124,205	100,483
Share based payment reserve	9,685	13,835
Accumulated other comprehensive (loss) earnings	(1,236)	1,567
Retained earnings	175,380	250,320
	174,144	251,887
Total equity attributable to shareholders	308,034	366,205
Non-controlling interest	3,695	3,531
	311,729	369,736
	\$ 384,354	\$ 448,314

See accompanying notes to the interim condensed consolidated financial statements.

## EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Changes in Equity  
(Unaudited)

Nine month periods ended January 31, 2017 and 2016  
(In thousands of Canadian dollars)

	Capital stock	Share-based payment reserve	Accumulated other comprehensive earnings	Retained earnings	Total equity attributable to shareholders	Non- controlling interest	Total Equity
<b>Balance at April 30, 2015</b>	<b>\$ 95,708</b>	<b>\$ 12,418</b>	<b>\$ 3,077</b>	<b>\$ 242,268</b>	<b>\$ 353,471</b>	<b>\$ 3,389</b>	<b>\$ 356,860</b>
Net earnings for the period	-	-	-	62,122	62,122	485	62,607
Foreign currency translation adjustment	-	-	2,396	-	2,396	324	2,720
<b>Total comprehensive earnings for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,396</b>	<b>\$ 62,122</b>	<b>\$ 64,518</b>	<b>\$ 809</b>	<b>\$ 65,327</b>
Dividends declared	-	-	-	(40,195)	(40,195)	(625)	(40,820)
Share based compensation expense	-	2,054	-	-	2,054	-	2,054
Exercise of employee stock options	4,128	-	-	-	4,128	-	4,128
Transfer on stock option exercise	1,123	(1,123)	-	-	-	-	-
Repurchase of common shares	(783)	-	-	(8,619)	(9,402)	-	(9,402)
<b>Balance at January 31, 2016</b>	<b>\$ 100,176</b>	<b>\$ 13,349</b>	<b>\$ 5,473</b>	<b>\$ 255,576</b>	<b>\$ 374,574</b>	<b>\$ 3,573</b>	<b>\$ 378,147</b>
<b>Balance at April 30, 2016</b>	<b>\$ 100,483</b>	<b>\$ 13,835</b>	<b>\$ 1,567</b>	<b>\$ 250,320</b>	<b>\$ 366,205</b>	<b>\$ 3,531</b>	<b>\$ 369,736</b>
Net earnings for the period	-	-	-	48,613	48,613	475	49,088
Foreign currency translation adjustment	-	-	(2,803)	-	(2,803)	39	(2,764)
<b>Total comprehensive earnings for the period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,803)</b>	<b>\$ 48,613</b>	<b>\$ 45,810</b>	<b>\$ 514</b>	<b>\$ 46,324</b>
Dividends declared	-	-	-	(123,553)	(123,553)	(350)	(123,903)
Share based compensation expense	-	1,263	-	-	1,263	-	1,263
Exercise of employee stock options	18,309	-	-	-	18,309	-	18,309
Transfer on stock option exercise	5,413	(5,413)	-	-	-	-	-
<b>Balance at January 31, 2017</b>	<b>\$ 124,205</b>	<b>\$ 9,685</b>	<b>\$ (1,236)</b>	<b>\$ 175,380</b>	<b>\$ 308,034</b>	<b>\$ 3,695</b>	<b>\$ 311,729</b>

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Earnings  
(Unaudited)

Three month and nine month periods ended January 31, 2017 and 2016  
(In thousands of Canadian dollars, except per share amounts)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Revenue	\$ 91,080	\$ 99,754	\$ 277,698	\$ 285,183
Cost of goods sold	39,957	42,763	119,598	122,829
Gross margin	51,123	56,991	158,100	162,354
Expenses				
Selling, administrative and general (note 6)	18,096	16,623	52,238	49,490
Research and development	18,484	17,229	53,757	49,608
Investment tax credits	(2,153)	(2,519)	(7,213)	(7,414)
Foreign exchange loss (gain)	4,277	(7,373)	(5,777)	(14,452)
	38,704	23,960	93,005	77,232
	12,419	33,031	65,095	85,122
Finance income	658	117	1,438	455
Finance costs	(74)	(128)	(196)	(450)
Other (expenses) income	(225)	211	(188)	361
Earnings before income taxes	12,778	33,231	66,149	85,488
Provision for (recovery of) income taxes				
Current	2,550	7,344	18,191	23,312
Deferred	523	1,497	(1,130)	(431)
	3,073	8,841	17,061	22,881
Net earnings for the period	\$ 9,705	\$ 24,390	\$ 49,088	\$ 62,607
Net earnings attributable to non-controlling interest	68	165	475	485
Net earnings attributable to shareholders	9,637	24,225	48,613	62,122
Net earnings for the period	\$ 9,705	\$ 24,390	\$ 49,088	\$ 62,607
Earnings per share (note 11)				
Basic	\$ 0.13	\$ 0.33	\$ 0.65	\$ 0.83
Diluted	\$ 0.13	\$ 0.32	\$ 0.65	\$ 0.83

See accompanying notes to the interim condensed consolidated financial statements.

## **EVERTZ TECHNOLOGIES LIMITED**

Interim Condensed Consolidated Statements of Comprehensive Earnings  
(Unaudited)

Three month and nine month periods ended January 31, 2017 and 2016  
(In thousands of Canadian dollars)

	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net earnings for the period	\$ 9,705	\$ 24,390	\$ 49,088	\$ 62,607
Items that may be reclassified to net earnings:				
Foreign currency translation adjustment	(209)	(96)	(2,764)	2,720
Comprehensive earnings	\$ 9,496	\$ 24,294	\$ 46,324	\$ 65,327
Comprehensive earnings attributable to non-controlling interest	\$ (18)	\$ 319	\$ 514	\$ 809
Comprehensive earnings attributable to shareholders	\$ 9,514	\$ 23,975	\$ 45,810	\$ 64,518
Comprehensive earnings	\$ 9,496	\$ 24,294	\$ 46,324	\$ 65,327

See accompanying notes to the interim condensed consolidated financial statements.

# EVERTZ TECHNOLOGIES LIMITED

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)

Three month and nine month periods ended January 31, 2017 and 2016  
(In thousands of Canadian dollars)

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2017	2016	2017	2016
<b>Operating activities</b>				
Net earnings for the period	\$ 9,705	\$ 24,390	\$ 49,088	\$ 62,607
Add: Items not involving cash				
Depreciation of property, plant and equipment	2,744	3,144	8,059	8,539
Loss (gain) on disposal of property, plant and equipment	3	109	(14)	57
Share based compensation (note 8)	406	603	1,263	2,054
Interest expense	4	8	20	26
Deferred income tax expense (recovery)	523	1,497	(1,130)	(431)
	13,385	29,751	57,286	72,852
Current tax expenses, net of investment tax credits	397	4,825	10,978	15,898
Income taxes paid	(3,256)	(3,613)	(7,364)	(17,780)
Changes in non-cash working capital items (note 7)	15,405	18,669	(2,396)	10,111
<b>Cash provided by operating activities</b>	<b>25,931</b>	<b>49,632</b>	<b>58,504</b>	<b>81,081</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(4,210)	(1,000)	(8,079)	(3,130)
Proceeds from disposal of property, plant and equipment	2	44	72	115
<b>Cash used in investing activities</b>	<b>(4,208)</b>	<b>(956)</b>	<b>(8,007)</b>	<b>(3,015)</b>
<b>Financing activities</b>				
Repayment of long term debt	(13)	3	(134)	(161)
Interest paid	(4)	(8)	(20)	(26)
Dividends paid	(96,701)	(13,351)	(123,553)	(40,195)
Dividends paid by subsidiaries to non-controlling interests	-	-	(350)	(625)
Capital stock repurchase	-	(1,032)	-	(9,402)
Capital stock issued	4,491	-	18,309	4,128
<b>Cash used in financing activities</b>	<b>(92,227)</b>	<b>(14,388)</b>	<b>(105,748)</b>	<b>(46,281)</b>
Effect of exchange rates on cash and cash equivalents	1,239	(1,855)	(3,757)	(2,542)
(Decrease) increase in cash and cash equivalents	(69,265)	32,433	(59,008)	29,243
Cash and cash equivalents beginning of period	133,359	97,491	123,102	100,681
<b>Cash and cash equivalents end of period</b>	<b>\$ 64,094</b>	<b>\$ 129,924</b>	<b>\$ 64,094</b>	<b>\$ 129,924</b>

See accompanying notes to the interim condensed consolidated financial statements.



# EVERTZ TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three month and Nine month periods ended January 31, 2017 and 2016  
(in thousands of Canadian dollars, except for “number of common shares”, “number of options” and “per share”  
information)

Evertz Technologies Limited (“Evertz” or the “Company”) is incorporated under the *Canada Business Corporations Act*. The Company is incorporated and domiciled in Canada and the registered head office is located at 5292 John Lucas Drive, Burlington, Ontario, Canada. The Company is a leading supplier of software, equipment and technology solutions to content creators, broadcasters, specialty channels and television service providers. The Company designs, manufactures and distributes video and audio infrastructure solutions for the production, post-production, broadcast and telecommunications markets.

### 1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and under the IAS 34 “Interim Financial Reporting” using the same accounting policies as described in the Company’s consolidated financial statements for the year ended April 30, 2016.

These interim condensed consolidated financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore; should be read in conjunction with the April 30, 2016 annual consolidated financial statements.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2017.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### New and Revised IFRSs Issued but Not Yet Effective

Following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. Unless otherwise indicated, earlier application is permitted. The Company has not yet determined the impact of the adoption of the following standards.

#### *Financial Instruments*

IFRS 9, *Financial instruments* (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 introduces new requirements for the financial reporting of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

#### *Revenue*

IFRS 15, *Revenue from contracts with customers* (“IFRS 15”) was issued by the IASB in May 2014 and will replace IAS 11, *Construction Contracts* and IAS 18, *Revenue*. IFRS 15 specifies how and when revenue will be recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

#### *Leases*

IFRS 16, *Leases* (“IFRS 16”) was issued by the IASB in January 2016 and will replace IAS 17, *Leases*. IFRS 16 introduces a single accounting model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

### 3. PROPERTY, PLANT AND EQUIPMENT

	January 31, 2017			April 30, 2016		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Office furniture and equipment	\$ 3,449	\$ 1,927	\$ 1,522	\$ 3,065	\$ 1,783	\$ 1,282
Research and development equipment	31,039	23,122	7,917	29,469	20,672	8,797
Airplanes	19,727	12,239	7,488	19,727	10,975	8,752
Machinery and equipment	54,500	41,954	12,546	51,787	39,226	12,561
Leaseholds	8,486	4,722	3,764	6,208	4,595	1,613
Land	2,235	-	2,235	2,238	-	2,238
Buildings	9,787	2,204	7,583	9,847	2,119	7,728
	\$ 129,223	\$ 86,168	\$ 43,055	\$ 122,341	\$ 79,370	\$ 42,971

### 4. PROVISIONS

	Warranty and Returns	Lease/Retirement Obligations	Total
<b>Balance as at April 30, 2016</b>	\$ 3,338	\$ 225	\$ 3,563
Net additions	452	100	552
Foreign exchange differences	4	(28)	(24)
<b>Balance as at January 31, 2017</b>	<b>\$ 3,794</b>	<b>\$ 297</b>	<b>\$ 4,091</b>

#### *Warranty and Returns*

The provision relates to estimated future costs associated with warranty repairs and returns on hardware solutions. The provision is based on historical data associated with similar products. The warranty and returns are expected to be incurred within the next twelve months.

#### *Lease/Retirement Obligations*

The provision relates to estimated restoration costs expected to be incurred upon the conclusion of Company leases.

### 5. CAPITAL STOCK

Authorized capital stock consists of:  
 Unlimited number of preferred shares  
 Unlimited number of common shares

	Number of Common Shares	Amount
<b>Balance as at April 30, 2016</b>	74,188,746	\$ 100,483
Issued on exercise of stock options	1,526,500	18,309
Transferred on stock option exercise	-	5,413
<b>Balance as at January 31, 2017</b>	<b>75,715,246</b>	<b>\$ 124,205</b>

#### *Normal Course Issuer Bid*

In June 2015, the Company filed a Normal Course Issuer Bid (NCIB) with the TSX to repurchase, at the Company's discretion, until June 28, 2016 up to 3,722,967 outstanding common shares on the open market or as otherwise permitted, subject to normal terms and limitations of such bids. The Company did not purchase and cancel any shares during the nine and three month periods (2016 – 608,100 common shares were purchased and cancelled at a weighted average price of \$15.46 over the nine month period).

#### *Dividends Per Share*

During the quarter, \$1.28 in dividends per share were declared (2016 - \$0.18) and during the nine month period, \$1.64 in dividends per share were declared (2016 - \$0.54), both, including a special dividend of \$1.10 per common share (2016 – Nil).

## 6. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Selling and administrative	\$ 15,529	\$ 15,121	\$ 45,704	\$ 44,750
Share based compensation (note 8)	1,661	603	3,838	2,054
Depreciation of property, plant and equipment (non-production)	906	899	2,696	2,686
	\$ 18,096	\$ 16,623	\$ 52,238	\$ 49,490

## 7. STATEMENT OF CASH FLOWS

### Changes in non-cash working capital items

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Trade and other receivables	\$ 19,035	\$ 6,198	\$ 15,276	\$ 2,454
Prepaid expenses	(666)	47	1,319	3,848
Inventories	(7,975)	2,716	(17,457)	(2,208)
Trade and other payables	200	9,643	(5,481)	1,847
Deferred revenue	4,334	46	3,419	3,585
Provisions	477	19	528	585
	\$ 15,405	\$ 18,669	\$ (2,396)	\$ 10,111

## 8. SHARE BASED PAYMENTS

### Stock Option Plan

The Company established, in June 2006, a stock option plan to attract, retain, motivate and compensate employees, officers and eligible directors who are integral to the growth and success of the Company. A number of shares equal to 10% of the Company's outstanding common shares are to be reserved for issuance under the stock option plan.

The Board of Directors administers the stock option plan and will determine the terms of any options granted. The exercise price of an option is to be set by the Board of Directors at the time of grant but shall not be lower than the market price as defined in the option plan at the time of grant. The term of the option cannot exceed 10 years. Stock options currently granted normally fully vest and expire by the end of the fifth year.

The changes in the number of outstanding share options are as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance as at April 30, 2016</b>	<b>4,406,500</b>	<b>\$ 14.72</b>
Granted	55,000	17.28
Exercised	(1,526,500)	11.99
Expired	(93,000)	15.92
Forfeited	(36,000)	11.88
<b>Balance as at January 31, 2017</b>	<b>2,806,000</b>	<b>\$ 16.25</b>

Note #8 continued ...

Exercise Price	Weighted Average Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Exercisable Options
\$11.88 - \$14.14	\$ 13.93	437,500	0.5	-	\$ -
\$15.00 - \$16.30	\$ 15.72	722,000	2.3	236,000	\$ 16.24
\$17.03	\$ 17.03	1,461,000	1.4	-	\$ -
\$17.19 - \$18.07	\$ 17.62	185,500	3.3	6,000	\$ 15.00
Totals	\$ 16.25	2,806,000	2.0	242,000	\$ 16.21

#### Restricted Share Unit Plan

The Company established, in March 2016, a restricted share unit (“RSU”) plan to provide an incentive to participants; including key executives of the Company, by rewarding such participants with equity-based compensation. Under the terms of the plan, RSU’s are issued to the participant with a vesting period of three years. On the vesting date, all RSU’s will be redeemed in cash at the fair market value at the date of vest plus any accrued dividends. The changes in the number of outstanding RSUs are as follows:

	Number of RSUs
<b>Balance as at April 30, 2016</b>	<b>210,000</b>
Granted	347,000
Forfeited	(7,500)
<b>Balance as at January 31, 2017</b>	<b>549,500</b>

As at January 31, 2017, the average remaining contractual life for outstanding RSUs is 2.2 years.

#### Compensation expense

##### Stock Option Plan

The share based compensation expense that has been charged against earnings over the nine month and three month period ended is \$1,263 (2016 - \$2,054) and \$406 (2016 - \$603). Share based compensation expense was calculated using a weighted average forfeiture rate of 25% (2016 – 22%)

	Nine month period ended January 31, 2017	Nine month period ended January 31, 2016
Risk-free interest rate	0.70%	1.07%
Dividend yield	4.17%	4.69%
Expected life	5 years	5 years
Expected volatility	16%	21%
Weighted average grant-date fair value:		
Where the exercise price equaled the market price	\$1.12	\$1.48

#### Restricted Share Unit Plan

The share based compensation expense that has been charged against earnings over the nine month and three month period ended is \$2,575 (2016 - Nil) and \$1,255 (2016 – Nil). Share based compensation expense was calculated using a weighted average forfeiture rate of 3% (2016 – Nil). As at January 31, 2017, the total liability included within trade and other payables is \$2,812 (2016 – Nil).

## 9. SEGMENTED INFORMATION

The Company reviewed its operations and determined that it operates a single reportable segment, the television broadcast equipment market. The single reportable operating segment derives its revenues from the sale of hardware and software solutions including related services, training and commissioning.

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
Revenue	2017	2016	2017	2016
United States	\$ 53,861	\$ 49,696	\$ 155,216	\$ 153,327
International	34,312	46,181	106,495	120,419
Canada	2,907	3,877	15,987	11,437
	\$ 91,080	\$ 99,754	\$ 277,698	\$ 285,183

	January 31, 2017		April 30, 2016	
	Property, Plant and Equipment	Goodwill	Property, Plant and Equipment	Goodwill
United States	\$ 10,740	\$ 372	\$ 11,813	\$ 359
International	9,255	17,571	9,750	17,927
Canada	23,060	-	21,408	-
	\$ 43,055	\$ 17,943	\$ 42,971	\$ 18,286

## 10. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

### *Related Party Transactions*

Two shareholders each indirectly hold a 10% interest in the Company's leased premises in Ontario. This lease expires in 2019 with a total of \$1,821 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$648 (2016 – \$631) and \$216 (2016 - \$210) with no outstanding amounts due as at January 31, 2017.

The Company also leases property where two shareholders indirectly own 100% interest. This lease expires in 2021 with a total of \$1,247 committed over the remaining term. During the nine and three month periods, rent paid was \$189 (2016 – \$185) and \$66 (2016 - \$62) with no outstanding amounts due as at January 31, 2017.

On December 1, 2008 the Company entered into an agreement with two shareholders who each indirectly hold a 20% interest in the Company's leased premises in Ontario. This lease expires in 2018 with a total of \$1,532 committed over the remaining term. During the nine and three month periods, rent paid for the leased principal premises amounted to \$603 (2016 - \$596) and \$206 (2016 - \$199) with no outstanding amounts due as at January 31, 2017.

On May 1, 2009 the Company entered into a property lease agreement with two shareholders who each indirectly hold a 35% interest. This lease expires in 2019 with a total of \$1,085 committed over the remaining term. During the nine and three month periods, rent paid was \$346 (2016 - \$346) and \$115 (2016 - \$115) with no outstanding amounts due as at January 31, 2017.

Note #10 continued ...

On December 15, 2013 the Company renewed a property lease agreement with a director who indirectly owns 100% interest. The lease expires in 2018 with a total of \$306 committed over the remaining term. During the nine and three month periods, rent paid was \$106 (2016 - \$100) and \$35 (2016 - \$35) with no outstanding amounts due as at January 31, 2017.

On May 1, 2016 the Company entered into a property lease agreement with two shareholders who each hold an indirect interest. This lease expires in 2026 with a total of \$9,564 committed over the remaining term. During the nine and three month periods, rent paid was \$725 (2016 – nil) and \$242 (2016 – nil) with no outstanding amounts due as at January 31, 2017.

On August 1, 2016 the Company entered into a property lease agreement with two shareholders who each hold an indirect interest. This lease expires in 2026 with a total of \$2,512 committed over the remaining term. During the nine and three month periods, rent paid was \$122 (2016 – nil) and \$61 (2016 – nil) with no outstanding amounts due as at January 31, 2017.

These transactions were in the normal course of business and recorded at an exchange value established and agreed upon by related parties.

## 11. EARNINGS PER SHARE

	Three month period ended		Nine month period ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Weighted average common shares outstanding	75,530,630	74,179,119	74,819,119	74,418,199
Dilutive effect of stock options	136,146	503,159	402,809	453,584
Diluted weighted average common shares outstanding	75,666,776	74,682,278	75,221,928	74,871,783

The weighted average number of diluted common shares excludes 183,500 options because they were anti-dilutive during the period (2016 – 183,500).

## 12. SUBSEQUENT EVENT

On March 1, 2017 the Company declared a quarterly dividend of \$0.18 with a record date of March 10, 2017 and a payment date of March 17, 2017.