Diversified Royalty Corp. Announces Mr. Lube Trademark Acquisition and Royalty, $110 million Bought Deal Financing, 11.25% Dividend Increase and Q2 Highlights

Vancouver, British Columbia – July 23, 2015 – Diversified Royalty Corp. (TSX: DIV) (the "**Corporation**" or "**DIV**") is pleased to announce its third trademark and royalty acquisition. DIV has entered into an agreement with Mr. Lube Canada Limited Partnership ("**Mr Lube**") to acquire the trademarks and certain other intellectual property rights utilized by Mr Lube in its business (the "**Mr Lube Marks**") for $138.8 million (the "**Acquisition**"). Immediately following the closing of the Acquisition, DIV will license the Mr Lube Marks back to Mr Lube for 99 years, in exchange for an initial royalty payment of $12.4 million per annum (the "**Royalty**" and together with the Acquisition, the "**Transaction**"). The Transaction is subject to Toronto Stock Exchange ("**TSX**") approval and customary closing conditions for transactions of this kind and is expected to close before the end of August 2015 and in any event within 60 days after closing of the Offering (as defined below).

In connection with the Acquisition, DIV has also entered into an agreement with a syndicate of investment dealers led by Cormark Securities Inc. (the "**Underwriters**") pursuant to which the Underwriters have agreed to purchase for resale to the public on a bought deal basis 40,741,000 subscription receipts of the Corporation (the "**Subscription Receipts**"), at a price of $2.70 per Subscription Receipt for gross proceeds of $110,000,700 (the "**Offering**").

In addition, the Corporation has granted the Underwriters an option (the "**Over-Allotment Option**") to purchase up to an additional 6,111,150 Subscription Receipts (or, in certain circumstances, Common Shares (as defined below)) at the Offering price exercisable in whole or in part at any time until the earlier of (i) 30 days following Closing (as defined below), and (ii) the occurrence of a Termination Event (as defined below), for market stabilization purposes and to cover over-allotments, if any.

The gross proceeds from the sale of the Subscription Receipts less 50% of the Underwriters' commission (the "**Escrowed Proceeds**") will be held by an escrow agent pending, among other things, confirmation by the Corporation to the Underwriters and the subscription receipt agent that all conditions precedent to completing the Acquisition other than the payment of the purchase price for the Mr Lube Marks have been satisfied or waived (to the lead underwriter's satisfaction) and receipt of all regulatory and other approvals required in connection with the Acquisition (collectively, the "**Release Conditions**").

Each Subscription Receipt entitles the holder thereof to receive, for no additional consideration and without further action, one common share of the Corporation (a "**Common Share**") upon the completion of the Acquisition. The Escrowed Proceeds will be deposited in escrow pending completion of the Acquisition. If (i) the Release Conditions are not satisfied on or prior to the date that is 60 days following closing of the Offering (the "**Release Deadline**"), or (ii) the Corporation advises the Underwriters and the subscription receipt agent, or announces to the public by way of a news release, that it does not intend to proceed with the Acquisition, holders of Subscription Receipts will be entitled to receive the full purchase price of their Subscription Receipts, together with their pro rata share of interest earned thereon (including interest on the initial portion of the underwriting commission). In addition, if the closing of the Acquisition occurs prior to the Release Deadline and the record date for one or more cash dividends on the Common Shares occurs during the period from the Closing Date (as defined below) of the Offering to and including the closing date of the Acquisition, each holder of a Subscription Receipt will be entitled to receive an amount per Subscription Receipt equal to the amount of such per Common Share dividend(s) on the later of the closing date of the Acquisition or the date such dividend(s) is paid to shareholders.

The Company intends to use the net proceeds of the Offering to partially fund the acquisition of the Mr Lube Marks and for general corporate purposes.

The Subscription Receipts will be distributed by way of a short form prospectus in all provinces of Canada except Quebec, and may be offered in the United States on a private placement basis pursuant to an exemption from the registration requirements of the *United States Securities Act of 1933, as amended*, and in certain other foreign jurisdictions as the Corporation and the Underwriters may agree on a private placement basis.

Subject to completion of the Transaction, DIV's board of directors has approved an increase in DIV's annual dividend from $0.20 per share (after factoring in the recently announced increase in the annual dividend which takes effect August 31, 2015) to $0.2225 per share (an 11.25% increase) effective October 31, 2015 (assuming the Transaction completes in August 2015).

As a result of the Acquisition, DIV will increase its tax pools by approximately $105M. This depreciable tax basis adds to DIV's already existing tax pools and can be depreciated over time to reduce its income tax liability.

Founded in 1976, Mr Lube is the leading quick service oil change firm in Canada, with 170 locations across the country. Mr Lube is a franchise business with a history of innovation and a tradition of leadership in the quick service oil change industry. Mr Lube began with a unique business idea (oil changes and minor car maintenance without an appointment) and was the first quick lube business in North America. Mr Lube has a strong presence across Canada (Western Canada - 43%, Ontario - 43%, Quebec and East - 14%) and is the market leader in its category.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "the royalty acquisition from Mr Lube is DIV's third royalty purchase and another step in our strategy of purchasing royalties from a diverse group of high quality multi-location businesses and franchisors. DIV believes Mr Lube is the premier, multi-location, quick lube business in Canada as evidenced by Mr Lube's market position, proven business model, strong brand, experienced management team and positive flagship same store sales growth or "**SSSG**" every year for the past 15 years. Moreover, Mr Lube has generated SSSG of 1.9% for the first six months of 2015 and 3.5% for the second quarter of 2015. Mr Lube is exactly the type of high quality royalty stream DIV looks to acquire."

Historically, Mr Lube has generated steady and growing EBITDA, and for the period ended March 31, 2015, Mr Lube's trailing twelve months normalized EBITDA was approximately $14.0 million, resulting in 111.1% of royalty coverage on the estimated royalty and management fee payments. Mr Lube's 15 years of positive SSSG combined with 15 new stores in its pipeline provides DIV with comfort with respect to Mr Lube's ability to make its royalty payments. DIV management expects the $12.4 million estimated annual royalty to increase based on the SSSG for the 117 flagship stores open as at March 31, 2015 (the “**Initial Royalty Pool**”) and expected to remain open. The SSSG figures for the first six months of 2015 and for the second quarter of 2015 are based on Mr Lube’s management estimates for such periods, are preliminary and have not yet been approved by Mr Lube’s board of directors or its audit committee.

Stuart Suls, President and Chief Executive Officer of Mr Lube, stated, “Mr. Lube is excited about the partnership with DIV as it positions the company for future growth both in our existing system as well as our new stores development pipeline. This focus on growth will propel us forward as we continue to expand our market share.”

Lawrence Haber, Chair of the Board of DIV, stated “the Mr Lube Transaction combined with the recent transaction with Sutton Group Realty Services Ltd. proves that DIV is able to acquire trademarks and royalties from some of the best businesses and brands in Canada. Following the successful completion of the Mr Lube transaction, DIV will continue to focus its efforts, in a patient and disciplined manner, on acquiring additional royalties from a diverse group of multi-location businesses and franchisors.”

The Acquisition will be completed by DIV through a newly formed limited partnership called ML Royalties Limited Partnership (the “**Partnership**”).

The Royalty is calculated by multiplying the system sales of the Mr Lube Locations in the royalty pool (initially 117 flagship stores) by an agreed royalty rate of 6.95% (the “**Royalty Rate**”). The royalty payments received by DIV will fluctuate based on the system sales of the Mr. Lube locations included in the royalty pool. Under the terms of the licence and royalty agreement governing the Royalty, Mr Lube will be able to include eligible new Mr Lube Locations in the Royalty Pool, subject to meeting certain performance criteria. In consideration for the addition of net new Mr Lube locations into the royalty pool, Mr Lube will be entitled, subject to TSX approval, to exchange certain units of the Partnership to be issued to Mr Lube for common shares of DIV based on a formula which is 20% accretive to DIV shareholders until 2020 and 7.5% thereafter. Mr Lube will also, subject to meeting certain performance criteria, be provided opportunities to increase the Royalty Rate in four, 0.5% increments. In consideration for each incremental royalty rate increase, Mr Lube will be entitled, subject to TSX approval, to exchange certain units of the Partnership to be issued to Mr Lube for common shares of DIV based on a formula which is accretive to DIV shareholders.

In addition to the Royalty, Mr Lube will pay DIV a management fee of approximately $200,000 per year for strategic and other services. The management fee will be increased at a rate of 2% per annum over the term of the license and royalty agreement.

In addition to the Mr Lube Marks, the Company has agreed to acquire the real estate on which four of Mr. Lube’s franchises are located in British Columbia (the “**Real Estate**”) from an affiliate of Mr Lube for an aggregate purchase price of $12.3 million. Pursuant to the Acquisition Agreement, DIV is permitted to, and intends to, assign its right to purchase the Real Estate prior to closing of the Acquisition. Should DIV be unsuccessful in assigning its purchase rights with respect to the Real Estate, DIV intends to finance its purchase with new mortgage financing and not the proceeds of the Offering. Such mortgage financing will remain in place until such time as DIV is able to sell the Real Estate, if acquired.

Credit Facility

DIV has received a term sheet from a Canadian chartered bank for a senior credit facility of $34.6 million in respect of the Transaction. The credit facility is expected to have a term of 36 months and be non-amortizing. At least 50% of the debt provided under this facility will have a fixed interest rate (currently estimated at 3.55%) while the remainder can be a floating interest rate (currently estimated to be the BA rate plus 2.5%). The credit facility will be secured by the Mr Lube Marks and the royalties payable by Mr Lube under the licence and royalty agreement, and will have covenants usual for this type of a credit facility. The credit facility will also be guaranteed by DIV on a limited recourse basis through the pledge by DIV of its interest in the Partnership.

Concurrent with the payment of the purchase price for the Mr Lube Marks, Mr Lube will lend to the Partnership an amount equal to the GST payable by the Partnership upon completion of the Acquisition, represented by a promissory note bearing interest at a rate of 5% per annum and payable in full on the earlier of (a) the six month anniversary of the closing date and (b) the third business day following receipt by the Partnership of a refund in respect of such GST.

Conditions to Complete the Transaction

Completion of the Transaction is subject to a number of conditions, including approval of the TSX, completion of the senior credit facility, completion of the Offering, receipt by DIV of audited financial statements of Mr Lube, as well as other conditions customary for a transaction of this nature.

Closing of the Offering is expected to occur on or about August 18, 2015 (the "**Closing Date**") and is subject to regulatory approval, including that of the TSX.

This news release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

DIV Q2 Highlights

DIV generated $3.5 million of royalty and management fees in the Second Quarter of 2015. $3.4 million of the royalty revenue was received from Franworks Franchise Corp. ("**Franworks**") while $119,000 was received from Sutton Group Realty Services Ltd. ("**Sutton**"). The SSSG of Franworks restaurants during the Second Quarter was -0.2%. Excluding the impact of translating U.S. sales into Canadian dollars, SSSG of the Franworks restaurants was -1.6% for the Second Quarter. Second Quarter SSSG results were as expected given current economic conditions in Alberta coupled with Franworks' U.S. based restaurants comparing against strong sales occurring in the Second Quarter of 2014 due to the FIFA World Cup. Positive SSSG gains were generated in BC and Ontario during the Second Quarter. Sutton made its first fixed royalty payment for the 12 days from closing of the trademark acquisition on June 19, 2015 to June 30, 2015. During the Second Quarter, DIV was very active pursuing the Sutton Acquisition, the Mr Lube Acquisition and exploring other royalty acquisition opportunities. During the Second Quarter, DIV expensed $1.2 million related to DIV's court ordered obligations to fund John Bennett's reasonable legal expenses for his criminal trial in New Jersey, expected to occur in early 2016. DIV has reserved its rights to challenge these expenses to ensure they are reasonable.

The above preliminary unaudited financial information is based upon management's estimates and has not yet been approved by DIV's Audit Committee or Board of Directors, or reviewed by DIV's auditors. The final financial results could differ from the above preliminary unaudited financial information. DIV expects to release its financial statements for the three and six months ended June 30, 2015 on or before August 14, 2015.

Departure of CFO

DIV also announces today that Jason Granger will step down as DIV's Chief Financial Officer and Corporate Secretary effective August 31, 2015 to pursue other opportunities. Mr. Morrison noted, "the Corporation wishes to thank Mr. Granger for his diligent service and considerable contributions throughout his tenure as Chief Financial Officer and wishes him well in his future endeavours." DIV is in the process of searching for a suitable replacement for Mr. Granger and an announcement naming his replacement will be made in due course.

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward Looking Statements

Certain statements contained in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "intend", "may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: the expected terms of the Offering, the closing date therefor and the expected use of the net proceeds therefrom, including for the partial payment of the purchase price for the Mr Lube Marks and for DIV's general corporate purposes; the terms of the Subscription Receipts and manner in which the Escrowed Proceeds will be held and terms on which they will be released; the completion of the Transaction, the terms thereof and the expected timing therefor; the details of the Initial Royalty Pool; the possibility of future increases in the Royalty payments made by Mr Lube to DIV and the issuance of common shares by DIV in connection therewith; the increase in DIV's annual dividend and the timing therefor; statements related to the expected tax implications of the Acquisition on DIV; the means by which DIV intends to finance the Transaction; the approval of the Transaction by the TSX; the requirement for regulatory approvals for the Offering, including the approval of the TSX; the amount and terms of the debt financing to be used by DIV or the Partnership to partially satisfy the purchase price for *the Transaction; the amount and terms of the promissory note to be issued by the Partnership to DIV upon the closing of the Acquisition; DIV's business plans and strategies following the completion of the Transaction; Mr Lube's business plans and strategies following completion of the acquisition; DIV's expectation that the annual royalty will increase based on the SSSG of the 117 flagship stores making up the Initial Royalty Pool; DIV's intention to assign its purchase rights with respect to the Real Estate and the expected means of financing to be used by DIV to acquire the Real Estate if it is unable to assign its purchase right with respect thereto; the timing of the release for DIV's financial statement for the three and six months ended June 30, 2015; the resignation of Jason Granger as Chief Financial Officer and Corporate Secretary of DIV and the timing therefor; the expected timing of John Bennett's criminal trial in New Jersey; DIV's corporate objectives; and DIV's expectation that it will pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events, performance, or achievements of DIV to differ materially from those anticipated or implied in such forward-looking statements. DIV believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: the Offering and/or Transaction will close on the terms or in accordance with the timing currently expected, or at all; the Release Conditions will be satisfied; there will be any future increases in the Royalty payments made by Mr Lube to DIV; DIV or the Partnership will be able to obtain debt financing for the Transaction on the terms currently expected, or at all; DIV will increase its dividend in the amount and in accordance with the timing expected, or at all; DIV will be able to assign its purchase rights with respect to the Real Estate or that it will be able to obtain the mortgage financing necessary to complete the acquisition of the Real Estate if it is unsuccessful in assigning its purchase right with respect thereto; the actual tax implications of the Acquisition on DIV will be consistent with the expected tax implications; statements related to the expected tax implications of the Acquisition on DIV; the TSX will approve the Transaction; necessary regulatory approvals, including the approval of the TSX, will be received for the Offering; the Transaction, if completed, will be successful; DIV's financial results for the three and six months ended June 30, 2015 will be released in accordance with the timing expected or that such financial results will be consistent with management's estimates; DIV will be successful in its search to find and hire a suitable candidate as Chief Financial Officer by August 31, 2015; the John Bennett's criminal trial in New Jersey will commence in accordance with the timing currently expected; or DIV will be able to achieve any of its corporate objectives or make monthly dividend payments to the holders of its common shares. Given these uncertainties, readers are cautioned that forward-looking statements included in this news release are not guarantees of future performance, and such forward-looking statements should not be unduly relied upon. These statements speak only as of the date of this news release. DIV undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.*

In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV and Mr Lube will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance *that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV.*

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.

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Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

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