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Diversified Royalty Corp. Announces Fourth Quarter and 2015 Annual Results

For Immediate Release – not for distribution to US news wire services or for US dissemination

Vancouver BC, March 29, 2016 – Diversified Royalty Corp. (TSX: DIV) (the "Company" or "DIV") is pleased to announce its financial results for the three months ("Fourth Quarter") and year ended December 31, 2015. A copy of this news release and DIV's audited annual consolidated financial statements and related Management's Discussion and Analysis of DIV are available on SEDAR at www.sedar.com and on DIV's website at www.diversifiedroyaltycorp.com.

Fourth Quarter and 2015 Annual Results

In the Fourth Quarter, DIV generated $7.4 million of royalty revenue and management fees. Revenues of $3.3 million were generated from Mr. Lube Canada Limited Partnership ("Mr. Lube"), $3.2 million were generated from Franworks Franchise Corp. ("Franworks") and $0.9 million were generated from Sutton Group Realty Services Ltd. ("Sutton").

In 2015, DIV completed its second and third royalty acquisitions, where it acquired the trademarks and other intellectual property rights used by Sutton and Mr. Lube in their respective businesses. As a result of these two royalty acquisitions and the first full year of royalty income from the Franworks royalty stream, DIV increased its revenues from $3.2 million in 2014 to $19.6 million in 2015. In 2015, revenues of $4.9 million were received from Mr. Lube, $12.8 million from Franworks and $1.9 million from Sutton.

Mr. Lube

The same-store-sales-growth ("SSSG") of the 117 Mr. Lube flagship stores in the royalty pool was minus 0.2% for the Fourth Quarter. Mr. Lube's slightly negative Fourth Quarter SSSG was primarily due to warmer weather patterns and the shift in timing of key marketing campaigns, which resulted in a slight decrease in sales.

The SSSG of the Mr. Lube flagship stores in the royalty pool for the year ended December 31, 2015 ("Fiscal 2015") was 1.8%. Fiscal 2015 represents the 16th straight year of positive SSSG for Mr. Lube's flagship stores.

Franworks

The SSSG of the 82 Franworks restaurants in the royalty pool for the Fourth Quarter was minus 1.9% in Canadian dollars (excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG was minus 3.7%). SSSG results for Franworks continue to be challenged by current economic conditions in Alberta and other prairie provinces. Franworks' Original Joe's and State and Main stores generated positive SSSG in British Columbia and Ontario while the US Elephant & Castle stores benefitted from the US dollar appreciation. Overall, Franworks' Fourth Quarter SSSG results were consistent with its results for the three months ended September 30, 2015.

The SSSG of the Franworks restaurants in the royalty pool for Fiscal 2015 was minus 0.8% in Canadian dollars (excluding the impact of translating U.S. sales into Canadian dollars, the estimated SSSG was minus 2.4%).

Sutton

Sutton's fixed royalty increases at a contractual rate of 2% per year with the first increase effective July 1, 2016. From DIV's perspective, this annual contractual royalty rate increase effectively represents 2% SSSG.

Distributable Cash

In the Fourth Quarter of 2015, distributable cash was $6.3 million ($0.0559 per share) compared to $2.4 million ($0.0398 per share) in the Fourth Quarter of 2014. The increase was driven by the additional royalty income generated as a result of the Sutton and Mr. Lube royalty acquisitions completed in 2015, as well as reduced professional fees.

In 2015, distributable cash was $16.5 million ($0.1929 per share), compared to $0.6 million ($0.0144 per share) in 2014. The increase was driven by the additional royalty income generated as a result of the Sutton and Mr. Lube royalty acquisitions completed in 2015, the first full year of royalty income from Franworks, and reduced professional fees and general and administration expenses.

Fourth Quarter Commentary

Sean Morrison, President and CEO of DIV stated, “DIV’s overall weighted average Fourth Quarter SSSG, in Canadian dollars, was approximately minus 0.7%. The estimated negative impact on DIV’s annual revenue is less than $225,000 or $0.002 per share. The slightly negative SSSG in DIV’s royalty portfolio in the Fourth Quarter, given the economically challenging environment, is a testament to the quality and diversification of its royalty streams.”

Litigation Update

During the Fourth Quarter, the Company incurred additional expenses related to the reimbursement of John Bennett’s legal costs as part of his criminal defense. In September 2015, the Company brought a motion to challenge the reasonableness of Mr. Bennett’s legal costs incurred between 2013 and the date of the motion. In January 2016 the Ontario Superior Court ruled that the majority of the legal expenses that the Company was challenging were reasonable, except for a nominal amount of approximately $50,000.

In addition, as previously disclosed in the Company’s press release issued on March 16, 2016, Mr. Bennett was tried between February 22, 2016 and March 16, 2016. On March 16, 2016, the jury returned a guilty verdict on both counts against him (conspiracy to commit fraud and major fraud against the United States).

In light of the verdict, the Company expects that its insurance underwriter will request a reimbursement for all amounts advanced to Mr. Bennett (approximately USD$3.3 million), and the Company will be entitled to reimbursement from Mr. Bennett for such amounts. However, the Company’s success in obtaining reimbursement from Mr. Bennett will depend on its ability to identify and obtain recourse against Mr. Bennett’s assets, including, without limitation, the balance of any payments still due to Mr. Bennett under his tenure agreement with the Company. The Company has accrued all legal costs incurred and reimbursable to Mr. Bennett as at December 31, 2015, as well as invoices received in 2016 that were required to be paid before March 17, 2016.

2016 Outlook

Franworks

DIV expects continued weakness in consumer discretionary spending to impact Franworks’ 2016 restaurant sales in Alberta and the other Prairie Provinces, with a resulting negative impact on the SSSG of the restaurants in the Franworks royalty pool. In order to navigate this economically challenging environment, Franworks has embarked on a number of initiatives including delaying capital expenditures, menu re-engineering, targeted promotional activities, administrative cost containment and raising additional equity to further capitalize its balance sheet. Franworks should benefit in 2016 from a full year’s performance of the six restaurants opened in 2015 as well as the six new restaurants opened in the first quarter (“First Quarter”) of 2016. Franworks has four additional restaurants under development that are currently expected to open by September 30th.

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Mr. Lube

Mr. Lube is having a strong start to 2016. The late arriving winter season in eastern Canada that negatively impacted Fourth Quarter results is now having a positive effect in the First Quarter (increased tire business). In addition, Mr. Lube has experienced positive results from its First Quarter marketing initiatives. DIV expects Mr. Lube to continue its long history of positive SSSG performance in 2016.

Sutton

Under its new leadership, Sutton is opening new offices, adding new agents and investing in technological innovation for its agents (new mobile apps and an online resource center) to help them manage and grow their businesses. DIV expects Sutton to have another solid year in 2016.

New Opportunities

“With the John Bennett indemnity litigation coming to a close, DIV is well positioned and continues to pursue new royalty opportunities”, said DIV’s President and CEO Sean Morrison.

Other

Franworks will not qualify to roll new restaurants into the Franworks royalty pool on April 1, 2016. The five new restaurants that were available to be rolled-in on April 1, 2016 will be available to be rolled-in on April 1, 2017 if Franworks qualifies at that time. Furthermore, Franworks and DIV have negotiated a one year extension regarding the requirement of Franworks to spend $8 million of renovation capital expenditures on Elephant & Castle restaurants by March 26, 2016 (approximately $5.1 million has been spent to date). In exchange for granting the extension, DIV negotiated a one year deferral of the payment of the remaining consideration owing to Franworks (637,051 DIV shares) for the Franworks restaurants rolled into the royalty pool on April 1, 2015.

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 currently owns the Franworks, Sutton, and Mr. Lube trademarks. Franworks operates mid-tier casual neighborhood pub restaurants under the Original Joe’s, State & Main, and Elephant & Castle brands across Canada and in select US markets and generates approximately $225 million of gross sales annually. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 7,900 agents and 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 169 locations across Canada and approximately $200 million of annual system sales.

DIV is currently paying a dividend and 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 expectation that DIV’s insurance underwriter will request reimbursement for all amounts advanced to Mr. Bennett; the intention and ability of DIV to obtain reimbursement *from Mr. Bennett of the amounts repaid to DIV's insurance underwriter; DIV's expectation that Franworks will continue to experience negative impacts on its SSSG in Alberta and other Prairie Provinces; DIV's other expectations with respect to Franworks' financial and operational performance in 2016; DIV's expectations with respect to Mr. Lube's SSSG in 2016; DIV's expectations with respect to Sutton's operational performance in 2016; Franworks failing to qualify to roll additional restaurants into the Franworks royalty pool on April 1, 2016; the one-year deferral of (i) the requirement of Franworks to make certain capital expenditures on Elephant & Castle restaurants; (ii) and the payment by DIV of the remaining consideration (637,051 DIV shares) owing to Franworks in respect of the April 1, 2015 amendment to the Franworks royalty pool; and the ability to pay a predictable and stable dividend to shareholders; and DIV's corporate objectives. 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: DIV will be able to obtain reimbursement from Mr. Bennett or otherwise be successful in seeking recourse against Mr. Bennett; the financial and operational performance of any of Franworks, Mr. Lube or Sutton for 2016 will be in line with DIV's current expectations; be able to make monthly dividend payments to the holders of its common shares; or achieve any of its corporate objectives. 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 its royalty partners 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.

Additional Information

Additional information relating to the Company and other public filings are available on SEDAR at www.sedar.com.

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