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Diversified Royalty Corp. Announces Agreement for the Indirect Sale of the Franworks Trademarks and Rights to Cara Operations Limited

Vancouver, B.C., September 1, 2016, For Immediate Release – Diversified Royalty Corp. (TSX: DIV) (the "Corporation" or "DIV") is pleased to announce that it has entered into an agreement (the "Sale Agreement") to sell the trademarks and rights related to the Franworks restaurants businesses ("FW Rights") for $90.0 million, the cancellation of 8,992,187 DIV common shares (the "Initial Shares") held by Original Joe's Franchise Group Inc. ("OJFG"), a wholly owned subsidiary of Franworks Franchise Corp ("Franworks"), the extinguishment of OJFG's right to receive 637,051 DIV common shares related to the April 1, 2015 royalty pool adjustment (the "Roll-In Shares") and the extinguishment of OJFG's right to receive accrued dividends on the Roll-In Shares to the date of closing, which as of the date hereof total approximately $0.2 million.

The Sale Agreement is part of a larger transaction whereby Cara Operations Limited ("Cara") (TSX: CAO) has entered into an agreement with OJFG to acquire majority control of OJFG for $93.0 million. $90.0 million of Cara's $93.0 million investment in OJFG will be used to fund the acquisition of the FW Rights by OJFG. Cara's investment in OJFG and DIV's sale of the FW Rights to OJFG are expected to close concurrently late in 2016. Upon closing Cara will control OJFG and will therefore indirectly own and control the FW Rights.

DIV will use $15 million of the cash proceeds from the sale of the FW Rights to extinguish term debt and the remaining $75 million will be added to DIV's cash balance.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "DIV felt that Franworks' large Alberta-based restaurant exposure has put pressure on Franworks under its royalty structure which could have a negative long term impact on DIV. The sale of the FW Rights will reduce DIV's exposure to Alberta from 30.1% to 16.7%. I would like to personally thank Derek Doke for playing an instrumental role in the creation of DIV. Derek saw the value of DIV's license and royalty structure as well as the diversified royalty model and became DIV's first royalty partner. We wish Derek and Franworks all the best in their partnership with Cara. The FW Rights sale is expected to take two to three months to close and DIV will continue to receive royalty payments from Franworks until closing. With over $80 million of cash on its balance sheet and two strong royalty partners, pro-forma for the sale of the FW Rights, DIV will have the opportunity as well as funds to acquire additional royalty streams from growing, multi-location businesses and franchisors."

Derek Doke, Chief Executive Officer of Franworks, stated "Franworks has valued its relationship with DIV and its unique license and royalty structure as an ongoing source of capital. The decision to unwind our 2014 transaction with DIV was difficult; however, the opportunity to partner with Cara was attractive from a strategic and synergistic perspective and it relieves Franworks of approximately $12.6 million in annual royalty payments, putting Franworks in a solid financial position. We are pleased to come to terms with Cara and DIV on an arrangement that serves all three parties' interests."

The terms of the Sale Agreement were reviewed and recommended for approval by a special committee of the board of directors of DIV consisting of all disinterested directors (the "Special Committee"), which specifically excluded Derek Doke and Murray Coleman. On August 31, 2016, following the resignation of Mr. Doke from the DIV board, the Special Committee considered the terms of the Sale Agreement and unanimously recommended its approval by the DIV board after consulting with its legal and independent financial advisors. Immediately following the receipt of the recommendation of the Special Committee the DIV board unanimously voted to approve entering into the Sale Agreement and all transactions contemplated therein, with Mr. Coleman declaring his interest in such transactions and abstaining from voting.

Transaction Analysis

On September 26, 2014, DIV acquired a $12.0 million annual royalty from Franworks for $88.1 million of cash and the 8,992,187 Initial Shares.

On April 1, 2015, four net new restaurants were added to the Franworks royalty pool paying an incremental annual royalty of $0.6 million in consideration for which DIV issued 2,548,204 DIV common shares to Franworks at a deemed value of $4.9 million. On March 24, 2016, DIV entered into an agreement with Franworks to defer the payment of the remaining consideration owing to Franworks (the 637,051 Roll-In Shares) for the Franworks restaurants added to the royalty pool on April 1, 2015 for a period of one year.

The indirect sale of the FW Rights to Cara results in DIV effectively receiving repayment of substantially all of the consideration it has paid to Franworks for the acquisition of royalties to date plus 23 months of royalty payments totalling $25.4 million (to August 31, 2016). The internal rate of return on the FW Rights purchase and sale is estimated at 14.8% using the cash value of DIV's shares ($1.66 per share) on June 30, 2014, the date the initial transaction with Franworks was announced.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "DIV's focus has always been preservation of shareholder capital and thereafter creation of shareholder value. The agreement to sell the FW Rights provides evidence of the protective value of DIV's license and royalty structure and the quality of Franworks' business. Firstly, unlike other royalty structures, DIV has control over selling the FW Rights. Secondly, owning the trademarks and having a secured charge supporting the license and royalty agreement preserved DIV's investment. Even with the falling price of oil (from US$112 per barrel at the time the FW Rights purchase was announced to a low of US$26 per barrel in February 2016) having a negative impact on Franworks' business, DIV negotiated a transaction with Franworks and Cara that will see Cara indirectly pay DIV $90 million in addition to the surrender by Franworks of approximately 9 million DIV shares."

Conditions to Complete the Sale

Completion of the sale of the FW Rights is subject to a number of conditions, including approval of the Toronto Stock Exchange (the "TSX"), the Competition Bureau (Canada) and certain other regulatory bodies, as well as other conditions customary for a transaction of this nature and is expected to close in late 2016.

The surrender for cancellation of the Initial Shares pursuant to the terms of the Sale Agreement would constitute an "issuer bid", as such term is defined under National Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("NI 62-104"). Accordingly, DIV intends to promptly apply for an exemption from the requirements related to issuer bids set out in NI 62-104. It is a condition to closing of the sale of the FW Rights that such exemption is obtained by DIV.

Resignation of Derek Doke as Director

On August 31, 2016, Derek Doke resigned as a director of the Corporation. Mr. Doke has been a director of DIV since September 2014 and was a member of DIV's Human Resources, Compensation, Corporate Governance and Nominating Committee prior to his resignation. After Mr. Doke tendered his resignation and prior to the execution of the Sale Agreement, DIV entered into an agreement with Franworks whereby Franworks agreed not to exercise any of its nomination rights under its agreements with DIV to appoint any further directors or observers to DIV's board of directors so long as the Sale Agreement remains in force.

Lawrence Haber, Chair of DIV, stated, "As DIV's first royalty partner, Derek and Franworks were pivotal in executing the first step of DIV's business strategy to acquire a diversified group of top-line royalties. On behalf of the Board and management, I would like to thank Derek and Franworks for their valuable contributions to DIV, and wish them the best in their partnership with Cara."

September 2016 Cash Dividend

DIV is pleased to announce that its board of directors has approved a cash dividend of $0.01854 per common share for the period of September 1, 2016 to September 30, 2016, which is equal to $0.2225 per common share on an annualized basis. The dividend will be paid on September 30, 2016 to shareholders of record on September 15, 2016.

The DIV board of directors will re-evaluate its dividend policy upon completion of the transactions contemplated under the Sale Agreement. At present, the DIV board has no intention to amend the amount of DIV's current monthly dividend.

DIV currently has a dividend reinvestment plan (the "DRIP") in place. The DRIP allows eligible holders of common shares to reinvest their cash dividends paid in respect of their common shares in additional common shares, which, at the Corporation's election, will be issued from treasury or purchased on the open market. If the Corporation elects to issue common shares from treasury, such common shares will be purchased under the DRIP at a 3% discount to the volume weighted average of the closing price for the common shares on the TSX for the five trading days immediately preceding the relevant dividend payment date. The Corporation may, from time to time, in its sole discretion, change or eliminate the discount applicable to common shares issued from treasury.

To be eligible to participate in the DRIP, holders of common shares must be resident in Canada. Participation in the DRIP does not relieve shareholders of any liability for taxes that may be payable in respect of dividends that are reinvested in new common shares under the DRIP. Shareholders should consult their tax advisors concerning the tax implications of their participation in the DRIP having regard to their particular circumstances.

The full text of the DRIP is available under the "Investor Relations" section of the Corporation's website located at http://diversifiedroyaltycorp.com and on Computershare's website located at www.investorcentre.com. Eligible beneficial shareholders who wish to participate in the DRIP should contact their investment advisor, bank or brokerage firm to enroll in the DRIP. Eligible registered shareholders may enroll online at Computershare's web portal located at www.investorcentre.com.

Shareholders should carefully read the complete text of the DRIP before making any decisions regarding participation in the DRIP.

Investor Conference Call

Management of DIV will host a live conference call at 8:00 am Pacific Time (11:00 am Eastern Time) on Thursday, September 1, 2016 to discuss the indirect sale of the FW Rights to Cara. The conference call can be accessed by dialing 1-877-291-4570 or 1-647-788-4919. An archived telephone recording of the call will be available until September 15, 2016 by calling 1-800-585-8367 or 1-416-621-4642 (Passcode 74851339). A corporate presentation will be posted on DIV's website at http://diversifiedroyaltycorp.com in advance of the call, which will be discussed on the call.

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 & 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 170 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 or financial outlook within the meaning of applicable securities laws 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 or financial outlook. 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 and financial outlook, although not all forward-looking statements and financial outlook contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: the sale of the FW Rights, including the terms thereof and the expected timing therefor; the investment in OJFG by Cara and the expected timing therefor; the expected use by OJFG of the proceeds of the Cara investment to purchase the FW Rights from DIV; the conditions to closing related to the sale of the FW Rights, including the receipt of necessary approvals from the TSX, Competition Bureau (Canada) and the receipt by DIV of an exemption from the issuer bid requirements in NI 62-104; the expected use of the cash proceeds of the sale of the FW Rights, including the use of approximately $15 million of the cash proceeds to extinguish existing term debt and the use of the remainder to pursue the acquisition of additional royalty streams; the expected impacts on DIV of the sale of the FW Rights; DIV continuing to receive royalty payments from Franworks until closing of the sale of the FW Rights; the intention of the DIV board of directors to re-evaluate DIV's dividend policy upon the completion of the sale of the FW Rights; the amount and timing of the September 2016 dividend to be paid to DIV's shareholders; 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. The forward looking statements and financial outlook contained in this news release 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 or financial outlook. DIV believes that the expectations reflected in the forward-looking statements and financial outlook contained in this news release 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 sale of the FW Rights will close on the terms currently contemplated, or at all; Cara will complete its investment in OJFG on the terms currently contemplated, or at all; that the conditions precedent to the sale of the FW Rights will be satisfied, including the receipt of necessary approvals from the TSX, Competition Bureau (Canada) and the receipt by DIV of an exemption from the issuer bid requirements in NI 62-104; DIV will use the cash proceeds from the sale of the FW Rights for the purposes currently contemplated; DIV will complete acquisitions of additional royalties, or that such transactions will be successful; Franworks will continue to make royalty payments until closing of the sale of FW Rights in the amounts required, or at all; DIV will make monthly dividend payments to the holders of its common shares, in the amounts currently paid, or at all; DIV will keep the DRIP in place; or DIV will be able to achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking statements and financial outlook included in this news release are not guarantees of future performance, and such forward-looking statements and financial outlook should not be unduly relied upon. These forward looking statements and financial outlook speak only as of the date of this news release. DIV undertakes no obligation to publicly update or revise any forward-looking statements or financial outlook, whether as a result of new information, future events or otherwise, except as expressly required by law.

In formulating the forward-looking statements and financial outlook 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. Management has also assumed that all necessary approvals for the transactions contemplated under the Sale Agreement will be obtained and that such transactions will be completed in the manner currently contemplated. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

To the extent any forward-looking information or statements in this news release constitute a "financial outlook" within the meaning of securities laws, such information is being provided to demonstrate the potential benefits of the transactions contemplated under the Sale Agreement and management's estimate of the future financial performance of DIV, and readers are cautioned that this information may not be appropriate for any other purpose and that they should not place undue reliance on such information.

All of the forward-looking statements and financial outlook 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.

Non-IFRS Financial Measures

Management believes that disclosing certain non-IFRS financial measures provides readers with important information regarding the Company's financial performance and its ability to pay dividends. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about DIV than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

"SSSG" and "Internal Rate of Return" are used as non-IFRS measures in this press release. For further details, with respect to "SSSG" see the "Description of Non-IFRS and Additional IFRS Measures" in the Company's management's discussion and analysis for the three and six months ended June 30, 2016.

"Internal Rate of Return" means the discount rate at which the net present value of all the cash flows (both positive and negative) from an investment equal zero.

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 Corporation and other public filings, is available on SEDAR at www.sedar.com.

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