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ROYALTY CORP.

Diversified Royalty Corp. Announces Acquisition of AIR MILES® Trademarks and Royalty

Vancouver, B.C., August 25, 2017, For Immediate Release – Diversified Royalty Corp. (TSX: DIV) (the "Corporation" or "DIV") is pleased to announce that it has acquired the Canadian AIR MILES® trademarks and certain related Canadian intellectual property rights (collectively, the "AIR MILES® Program") from a subsidiary of Aimia Inc. ("Aimia") for $53.75 million plus additional contingent consideration of up to $13.75 million (the "Acquisition"). DIV will receive an aggregate royalty, payable quarterly, equal to 1% of gross billings from the AIR MILES® Program in Canada in accordance with the terms of two license agreements (collectively, the "Licenses") acquired by DIV as part of the Acquisition (the "Royalty").

Launched in Canada in 1992, AIR MILES® is Canada's largest coalition loyalty program with over 170 brand name sponsors including Bank of Montreal, Sobey's, Shell Canada, Safeway, Metro and online partners such as Amazon.ca and eBay. Consumers collect AIR MILES® reward miles from sponsors, which can be redeemed for a multitude of reward choices, such as travel, entertainment, home electronics and gift cards. Based on public disclosure, there are currently more than 11 million active AIR MILES® collector accounts across Canada and approximately two-thirds of Canadian households participate in the AIR MILES® Reward Program. The AIR MILES® Reward Program is operated in Canada by LoyaltyOne, Co. ("LoyaltyOne"), the parent company of which is Alliance Data Systems Corporation ("ADS"), an NYSE listed company. ADS reported consolidated revenues of US$7.1 billion in 2016 and revenues from Canada of US$936 million and adjusted EBITDA of US$203 million, which is primarily from the Canadian loyalty program.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "The acquisition of the AIR MILES® trademarks and royalty is another step in our strategy of purchasing trademarks and royalties from a diverse group of high quality businesses. The AIR MILES® Reward Program has been operating in Canada for 25 years, is one of the most recognizable brands in Canada, has many of Canada's largest businesses as members and has a proven business model. The AIR MILES® trademarks have historically generated royalty revenue of approximately $8.50 million per year. Pro-Forma for the Transaction and assuming the AIR MILES® royalty of $8.50 million, DIV's distributable cash per share ("DCPS") is $0.2071 per share. The AIR MILES® Transaction was structured with contingent consideration subject to certain milestones being achieved in 2018/2019. DIV's objective is to use its remaining $33 million of cash on hand combined with debt financing to fund its next trademark and royalty acquisition from a high-quality business by the end of 2017."

Lorie Haber, Chairman of DIV, stated, "The AIR MILES® transaction is a testament to management's approach of being patient and disciplined. Management structured an accretive transaction with contingent consideration providing DIV shareholders with downside protection. AIR MILES® is among Canada's most recognizable trademarks with a 25-year track record and is an excellent addition to DIV's royalty pools."

DIV's board of directors currently plan to maintain DIV's annual dividend at $0.2225 per share.

Further Details of the Acquisition

The Acquisition was completed pursuant to an asset purchase agreement (the "Asset Purchase Agreement") dated the date hereof between DIV, DIV's newly formed, wholly-owned subsidiary AM Royalties Limited Partnership (the "Partnership"), Aimia Inc. and Aimia Inc.'s indirect subsidiary Air Miles International Trading B.V. (the "Seller").

Pursuant to the Asset Purchase Agreement, the Partnership paid the Seller $53.75 million in cash at closing of the Acquisition. DIV funded the closing payment with cash on hand; however, DIV is in the final stages of negotiations with a Canadian Chartered Bank in respect of a new senior credit facility through which the Partnership expects to be provided with approximately $17.4 million in new term debt financing (the "Credit Facility"). The Credit Facility is expected to have a term of 60 months, be non-amortizing, and have a floating interest rate equal to the Bankers Acceptance Rate plus 2.25%. The Credit Facility will be secured by the AIR MILES® Program and the royalties payable by LoyaltyOne under the Licenses and will have debt covenants customary for this type of credit facility.

In accordance with the terms of the Asset Purchase Agreement, the payment of the contingent consideration is subject to certain milestones being met in 2018/2019. The milestones relate to The Bank of Montreal's AIR MILES® sponsorship contract being renewed or replaced with an AIR MILES® sponsorship contract with another one of the four other major Canadian chartered banks and the Royalty revenue post contract renewal or replacement.

Under the terms of the Licenses, LoyaltyOne has an exclusive right to use the AIR MILES® Program in Canada for an indefinite term in return for which it is required to pay the Royalty. The Royalty is payable by LoyaltyOne to the Partnership pursuant to the Licenses quarterly in arrears based on 1% of gross billings from the AIR MILES® Program in Canada in the quarter. The Licenses may only be terminated in certain limited circumstances, including bankruptcy or insolvency of either party and are subject to cross termination provisions.

The foregoing is a summary of certain key commercial terms of the Asset Purchase Agreement and the Licenses. These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the full terms of the Asset Purchase Agreement and the Licenses, copies of which will be filed under DIV's profile on SEDAR and will be available at www.sedar.com in due course.

Investor Conference Call

Management of DIV will host a live conference call at 3:00 pm Pacific Time (6:00 pm Eastern Time) on Friday, August 25, 2017. To participate by telephone across Canada, toll free: 1-877-291-4570. The management presentation for the conference call will be available on DIV's website www.diversifiedroyaltycorp.com prior to the call. An archived telephone recording of the call will be available until September 9, 2017 by calling 416-621-4642 or 1-800-585-8367 (Passcode 76832422).

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed 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.

In addition to the AIR MILES® Program, DIV currently owns the Sutton and Mr. Lube trademarks. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately

8,000 agents and 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 170 locations across Canada and over $200 million of annual system sales.

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: DIV's objective to use its remaining cash on hand combined with additional debt financing to fund its next trademark and royalty acquisition by the end of 2017; DIV's board of directors' plan to maintain DIV's annual dividend at $0.2225 per share; the expectation that the Partnership will enter into the Credit Facility, and the amount and other expected terms of the Credit Facility; the terms of the Licenses and the Royalty payable to DIV by LoyaltyOne; the amount and terms on which the contingent consideration is payable; the accretive nature of the Acquisition; the filing of the Asset Purchase Agreement and the Licenses by DIV on SEDAR in due course; 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: that DIV will complete any further trademark and royalty acquisitions in 2017; that debt or other financing will be available to DIV in connection with any further trademark and royalty acquisitions completed in 2017 on terms acceptable to DIV; that the Credit Facility will complete on the terms currently contemplated or at all; that the Acquisition will be accretive; that the Acquisition will be successful; that the Licenses will continue to generate royalty revenues similar to those generated in the past; that LoyaltyOne will continue to operate the AIR MILES® Program in Canada in a manner consistent with past practice or at all; that DIV will file the Asset Purchase Agreement or the Licenses on SEDAR; 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. More information about the risks and uncertainties affecting DIV's business and the businesses of its royalty partners can be found in the "Risk Factors" section of its Annual Information Form dated March 28, 2017, which is available under the DIV's profile on SEDAR at www.sedar.com.

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. In addition, DIV has assumed that it will continue to have readily available access to debt and equity capital markets on terms acceptable to DIV and that LoyaltyOne will continue to operate *the AIR MILES® Program in Canada in a manner consistent with past practice. 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 forward-looking statements are made as of the date of this news release and DIV assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

Non-IFRS Financial Measures

This news release makes reference to certain non-IFRS financial measures. These non-IFRS financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. Rather, these financial measures are provided as additional information to complement IFRS financial measures by providing further understanding of operations from management's perspective. Accordingly, non-IFRS financial measures should never be considered in isolation nor as a substitute to using net income as a measure of profitability or as an alternative to the IFRS consolidated statements of income or other IFRS financial measures. Management presents the non-IFRS measure, Pro-Forma Distributable Cash Per Share (which is derived in part on the non-IFRS measures Distributable Cash, EBITDA and Normalized EBITDA) as it believes this supplementary disclosure provides useful additional information related to the operating results and financial condition of the Company and uses this measure of financial performance and financial condition as a supplement to the statements of financial position of the Company.

EBITDA for DIV is calculated as earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is calculated as EBITDA before certain items including: share-based compensation, litigation expense, other finance income (costs), and fair value adjustment on interest rate swaps.

Distributable Cash is defined as Normalized EBITDA less interest expense on the credit facilities.

Pro-Forma Distributable Cash per share is defined as Distributable Cash, adjusted to give effect to: the Transaction; the Credit Facility; and the annual contractual 2% increase in the royalty payable by Sutton Group Realty Services Ltd. that took effect on July 1, 2017, in each case, as if such transaction had occurred on January 1, 2017, divided by the number of common shares of DIV currently issued and outstanding on a non-diluted basis.

For further details with respect to the calculation of Pro-Forma Distributable Cash per share, see Appendix A to the Company's investor presentation titled "Diversified Royalty Corp. AIR MILES Royalty Acquisition" dated August 25, 2017, a copy of which will be available on the Company's website at www.diversified royaltycorp.com and will be filed under the Company's profile on SEDAR at www.sedar.com.

Third Party Information

This news release includes market share information, industry data and forecasts obtained from independent industry publications, market research, analyst reports, company filings and reports, and other publicly available sources. Although DIV believes these sources to be generally reliable, market, industry *and company data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey or report. Accordingly, the accuracy and completeness of this data is not guaranteed. DIV has not independently verified any of the data from third party sources referred to in this news release nor ascertained the underlying assumptions relied upon by such sources.*

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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