DIVERSIFIED
DIV
ROYALTY CORP.

Diversified Royalty Corp. Announces Increase to the Mr. Lube Royalty Rate, Additions to the Mr. Lube Royalty Pool, Amendment of ML Royalties LP Credit Facility, and May 2018 Cash Dividend

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

Vancouver, BC, May 2, 2018 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") and Mr. Lube Canada Limited Partnership ("Mr. Lube") announced today that effective May 1, 2018, the royalty rate paid by Mr. Lube to the Corporation on non-tire sales at flagship locations (the "Mr. Lube Royalty Rate") has been increased by 0.5% from 6.95% to 7.45%. In addition, the Mr. Lube royalty pool (the "Mr. Lube Royalty Pool") has been adjusted to include the royalties from two new Mr. Lube locations and to remove one Mr. Lube location that has been permanently closed. With the adjustment for these two openings and one closure, the Mr. Lube Royalty Pool now includes 118 flagship locations.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "The increase in the Mr. Lube Royalty Rate and the net addition to the Mr. Lube Royalty Pool is a testament to Mr. Lube's market leading position, proven business model, strong store-level execution by its franchisees, experienced management team and strong performance since DIV purchased the royalty in August 2015. We look forward to Mr. Lube continuing to open new stores and expanding their market share as they execute on their growth strategy. Net of incremental interest expense on the new debt, these transactions are expected to add approximately $0.8 million to DIV's distributable cash per year or approximately $0.01 per DIV share (which represents a pro forma increase of approximately 5%), improving DIV's payout ratio. With approximately $83 million of cash currently on hand, DIV is well-positioned to pursue accretive royalty transactions."

Stuart Suls, President and Chief Executive Officer of Mr. Lube, stated, "We are excited to be adding to the Mr. Lube Royalty Pool as well as increasing the royalty rate paid to DIV by 0.5%. These transactions are in alignment with DIV's royalty model of partnering with market leading franchisors and acquiring incremental royalties as their businesses continue to expand. Mr. Lube is excited to continue opening new stores, growing the brand across Canada, expanding our tire related services offering and improving the store level economics of our franchisees. We also look forward to the continued mutually beneficial relationship with DIV."

Mr. Lube Royalty Rate Increase

Mr. Lube has the option, subject to meeting certain performance criteria, to increase the Mr. Lube Royalty Rate in four, 0.5% increments. The increase of the Mr. Lube Royalty Rate from 6.95% to 7.45% on non-tire sales on May 1, 2018 represents the first such royalty rate increase. The royalty rate on tire sales remains unchanged at 2.50%.

The Mr. Lube Royalty Rate increase is expected to generate additional royalty revenue for the Corporation of approximately $1.0 million per annum, based on the 2017 non-tire system sales of the locations in the Mr. Lube Royalty Pool of $197.2 million. The total consideration paid to Mr. Lube for the increase of the Mr. Lube Royalty Rate was $9.2 million. DIV elected to pay for the Mr. Lube Royalty Rate increase in cash, which was partially financed by an increase in the term loan facility of ML Royalties Limited Partnership ("ML LP") as described below.

For further details with respect to the manner in which the Mr. Lube royalty rate increase occurs and the agreements underlying the procedures therefor, see DIV's Annual Information Form dated March 28, 2018, a copy of which is available on SEDAR at www.sedar.com.

Addition to the Mr. Lube Royalty Pool

Subject to certain performance criteria being met, the Mr. Lube Royalty Pool is adjusted annually on May 1 (the "Adjustment Date") to include new Mr. Lube locations that have been open since July 1 of the previous reporting period and to remove Mr. Lube locations that have been permanently closed during the previous year.

The initial consideration payable to Mr. Lube for the estimated net additional royalty revenue is $0.9 million, representing 80% of the total estimated consideration of $1.2 million. DIV elected to pay the initial consideration to Mr. Lube in cash, which was partially financed by an increase in the term loan facility of ML LP as described below.

The remaining consideration payable for the net additional royalty revenue will be paid to Mr. Lube on May 1, 2019, the next Adjustment Date, and will be adjusted to reflect the actual system sales of the two new locations added to the Mr. Lube Royalty Pool for the year ended December 31, 2018, as determined through an audit.

After taking into account the Mr. Lube Royalty Rate increase from 6.95% to 7.45%, the net addition to the Mr. Lube Royalty Pool is expected to generate additional royalty revenue for the Corporation of approximately $0.15 million per annum, based on the net estimated non-tire system sales of $2.0 million.

For further details with respect to the manner in which annual adjustments of the Mr. Lube Royalty Pool occur and the agreements underlying the procedures therefor, see DIV's Annual Information Form dated March 28, 2018, a copy of which is available on SEDAR at www.sedar.com.

Amendment of ML Royalties LP Credit Facility

On May 1, 2018, ML LP, the wholly owned subsidiary of DIV that owns the ML Rights, amended its credit agreement with a Canadian chartered bank to increase its non-amortizing term loan facility from $34.6 million to $41.6 million. The increase in the term loan facility was used to partially finance the consideration paid to Mr. Lube for the increase in the Mr. Lube Royalty Rate and the net addition to the Mr. Lube Royalty Pool. The incremental debt of $7.0 million bears interest at the banker's acceptance rate plus 1.95% (estimated to be 3.60% using the current rates) and matures on July 31, 2022. ML LP may elect to enter into an interest rate swap arrangement for a portion or all of the incremental debt.

May 2018 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 May 1, 2018 to May 31, 2018, which is equal to $0.2225 per common share on an annualized basis. The dividend will be paid on May 31, 2018 to shareholders of record on May 15, 2018.

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 Sutton, Mr. Lube and AIR MILES® trademarks in Canada. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with over 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 174 locations across Canada and over $225 million of annual system sales. AIR MILES® is Canada's largest coalition loyalty program with over 200 leading brand-name sponsors; approximately two-thirds of Canadian households actively participate in the AIR MILES® Program.

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 information" or "financial outlook" within the meaning of applicable securities laws that 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 information 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 information and financial outlook, although not all forward-looking information and financial outlook contain these identifying words. Specifically, forward-looking information and financial outlook in this news release include, but are not limited to, statements made in relation to: the amount of additional royalty revenue that is expected to be generated from the 0.5% increase to the Mr. Lube Royalty Rate; the amount of additional royalty revenue that is expected to be generated from the net addition to the Mr. Lube Royalty Pool; the amount and timing of the payment for the remaining consideration payable to Mr. Lube for the net new royalty revenue from the two Mr. Lube locations added to the Mr. Lube Royalty Pool; the completion of an audit of the system sales of the two Mr. Lube locations added to the Mr. Lube Royalty Pool; the expected impact of the increase to the Mr. Lube Royalty Rate and net addition to the Mr. Lube Royalty Pool on DIV's distributable cash and payout ratio; DIV being well positioned to pursue accretive royalty acquisitions; DIV management's expectation that Mr. Lube will expand its market share as its executes on its growth strategy; Mr. Lube's intention to continue opening new stores, growing the Mr. Lube brand across Canada, expanding its tire related services offering and improving the store level economics of its franchisees; ML LP may elect to enter into an interest rate swap arrangement for a portion or all of the incremental debt; the amount and timing of the May 2018 dividend to be paid to DIV's shareholders; DIV's 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 information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: Mr. Lube will continue to make royalty payments in the amounts and at the times required, or at all; the amount of, or timing of the payment for, the additional consideration payable to Mr. Lube for the increase in the Mr. Lube Royalty Rate and the net new royalty from the two additional Mr. Lube locations added to the Mr. Lube Royalty Pool will occur in the amount or at the time estimated; that an audit will be completed on the system sales of the two new Mr. Lube locations added to the Mr. Lube Royalty Pool; that the results of the audit will be satisfactory to DIV; that transactions completed with Mr. Lube for the increase in the Mr. Lube Royalty Rate and the net addition to the Mr. Lube Royalty Pool will be accretive to DIV shareholders; Mr. Lube will expand its market share or realize any of the other intended benefits of its growth strategy; Mr. Lube will continue opening new stores, or that such stores will be successful if opened; Mr. Lube will expand its tire related services ,or that such expansion will be successful; that Mr. Lube will succeed in improving store level economics; ML LP will not further amend its credit facility in the future; DIV will be able to make monthly dividend payments to the holders of its common shares; or DIV will achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking information and financial outlook included in this news release are not guarantees of future performance, and such forward-looking information and financial outlook 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, 2018, which is available under DIV's profile on SEDAR at www.sedar.com.

In formulating the forward-looking information 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. 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 presentation constitute a "financial outlook" within the meaning of securities laws, such information is being provided to assist investors in understanding the expected financial impact on DIV of the transactions described in this news release.

All of the forward-looking information and financial outlook disclosed in this news release is 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 it will have the expected consequences to, or effects on, DIV. The forward-looking information and financial outlook included in this news release is 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

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 the Company 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.

"Distributable Cash" and "payout ratio" are used as non-IFRS measures in this news release. For further details, as to how DIV calculates "Distributable Cash" and "payout ratio" see the "Description of Non-IFRS and Additional IFRS Measures" in the Company's management's discussion and analysis for the three months and year ended December 31, 2017, a copy of which is available on SEDAR at www.sedar.com. In this news release, such figures have been adjusted to give effect to the increase to the Mr. Lube Royalty Rate, the net addition to the Mr. Lube Royalty Rate and interest expense on the incremental debt obtained in connection with such transactions.

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.

Contact:
Sean Morrison, President and Chief Executive Officer
Diversified Royalty Corp.
(604) 235-3146

Greg Gutmanis, Chief Financial Officer and VP Acquisitions
Diversified Royalty Corp.
(604) 235-3146