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ROYALTY CORP.

Diversified Royalty Corp. Announces Second Quarter 2016 Results

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

Vancouver BC, August 15, 2016 – Diversified Royalty Corp. (TSX: DIV) (the "Company" or "DIV") is pleased to announce its financial results for the three months ended June 30, 2016 ("Second Quarter"). A copy of this news release and DIV's unaudited condensed consolidated interim 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.

Second Quarter Results

In the Second Quarter, DIV generated $7.5 million of royalty revenue and management fees. Revenues of $3.4 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").

Mr. Lube

The same-store-sales-growth ("SSSG") of the 117 Mr. Lube flagship stores in the royalty pool was 5.2% for the Second Quarter. Mr. Lube's strong Second Quarter SSSG was due to continued overall strong business execution.

Franworks

The SSSG of the 82 Franworks restaurants in the royalty pool for the Second Quarter was minus 5.1% in Canadian dollars (excluding the impact of translating US sales into Canadian dollars, the estimated SSSG was minus 5.5%). SSSG results for Franworks continue to be challenged by current economic conditions in Alberta and other prairie provinces. Franworks' restaurants generated positive SSSG in British Columbia and Ontario.

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.

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "Mr. Lube's strong positive Second Quarter SSSG and Sutton's fixed growth royalty offset Franworks' negative SSSG. Overall, DIV's weighted average Second Quarter SSSG was approximately 0.3%. DIV had a Second Quarter payout ratio of 97.8%, or 93.5% net of the Company's dividend reinvestment plan."

Distributable Cash

In the Second Quarter of 2016, distributable cash was $6.4 million ($0.0568 per share) compared to $2.9 million ($0.0411 per share) in the Second Quarter of 2015. The increase was driven by the additional royalty income generated from the Sutton and Mr. Lube royalty acquisitions completed in mid-2015.

John Bennett Indemnity Claim and Other Legacy Legal Matters

During the Second Quarter, the Company incurred $1.1 million in legal expenses in relation to the John Bennett Indemnity Claim and certain other legacy legal matters, all of which are more particularly described in the notes to DIV's unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis of DIV for the Second Quarter, copies of which are available on SEDAR at www.sedar.com and on DIV's website at www.diversifiedroyaltycorp.com. On March 16, 2016, the jury returned a guilty verdict on both counts against Mr. Bennett (conspiracy to commit fraud and major fraud against the United States). On August 9, 2016, Mr. Bennett was convicted by the trial judge in the United States and sentenced. On August 15, 2016, the Company filed a motion in Ontario court to set aside the Interim Payment Order and a court date was set for October 5, 2016 for the motion to be heard. In addition, the Company was successful in obtaining an interim stay on any further payments pending the October 5, 2016 hearing under the Interim Payment Order.

Sean Morrison, President and Chief Executive Officer of DIV stated, "DIV is using its best efforts to mitigate the impact (financially and otherwise) on the Company of these legacy legal matters. Given the recent conviction of John Bennett, we are optimistic that DIV is well on its way to ridding itself of these legacy legal matters."

Outlook

Mr. Lube

DIV expects Mr. Lube to continue its long history of positive SSSG performance in 2016 through continued strong execution.

Franworks

DIV expects that the uncertainty in the economy of Alberta and other prairie provinces will result in continued weakness in consumer discretionary spending, which will continue to negatively impact Franworks' 2016 restaurant sales in those regions. In order to navigate this economically challenging environment, Franworks has embarked on several initiatives including menu re-engineering, targeted promotional activities, general and administrative cost reductions and a greater emphasis on franchising new sites, which are having an immediate positive impact on Franworks' cash flow. During the Second Quarter of 2016, Franworks' earnings before interest, taxes, depreciation and amortization ("EBITDA") increased by 11% compared to the Second Quarter of 2015. In addition, Franworks improved its liquidity and strengthened its Balance Sheet through the $3.4 million sale of redundant land in July.

During the Second Quarter of 2016, Franworks opened two new restaurants and as at June 30, 2016, Franworks also had two restaurants under development, which opened in July 2016.

Sutton

Sutton continues to focus on opening new franchise offices and helping their existing franchisees add new agents by investing in training and recruiting resources. DIV expects Sutton to have another solid year in 2016.

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 100 mid-tier casual neighborhood pub restaurants under the Original Joe's, State & Main, and Elephant & Castle brands 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 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 expectation that Franworks will continue to experience negative impacts on its restaurant sales in Alberta and other prairie provinces; the expected benefits to Franworks from the restaurants it opened in the Second Quarter; DIV's expectations with respect to Mr. Lube's SSSG for the remainder of 2016; DIV's expectations for Sutton's performance for the remainder of 2016; the expected timing of the hearing in the Ontario court on DIV's motion to set aside the Interim Payment Order; DIV's expectations with respect to the other legacy legal matters; 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 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: Franworks will realize the expected benefits, or any benefits, from the restaurants it opened in the Second Quarter; Mr. Lube will continue to have positive SSSG in 2016; Mr. Lube's, Franworks' or Sutton's performance for the remainder of 2016 will be consistent with DIV's current expectations; the Ontario court will set aside the Interim Payment Order; the other legacy legal matters will be concluded in a manner consistent with DIV's current expectations; DIV will 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 forward-looking statements are made as of the date of this news release and DIV assumes no obligation to 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", "Same Store Sales Growth" and "Payout Ratio" are used as non-IFRS measures in this press release. For further details, 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.

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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