DIVERSIFIED
DIV
ROYALTY CORP.

Diversified Royalty Corp. Announces Fourth Quarter and 2016 Annual Results

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

Vancouver BC, March 28, 2017 – Diversified Royalty Corp. (TSX: DIV) (the "Company" or "DIV") is pleased to announce its financial results for the three months ("Fourth Quarter") and twelve months ("Year") ended December 31, 2016. 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.

Highlights

- Revenues of $6.4 million for the Fourth Quarter and $28.2 million for the Year.
- Completed the sale of the trademarks and rights related to the Franworks Franchise Corp. ("Franworks") business (the "FW Rights") on November 27, 2016.
- Increased the number of agents in the Sutton Group Realty Services Ltd. ("Sutton") royalty pool from 5,185 to 5,400.
- Same-store-sales-growth ("SSSG") for Mr. Lube Canada Limited Partnership ("Mr. Lube") and Sutton combined of positive 5.3% for the Fourth Quarter and positive 4.3% for the Year.
- Settlement of the John Bennett indemnity claim.

Fourth Quarter and 2016 Annual Results

In the Fourth Quarter, DIV generated $6.4 million of royalty revenue and management fees. Revenues of $3.5 million were generated from Mr. Lube, $1.9 million were generated from Franworks prior to the sale of the FW Rights and $1.0 million were generated from Sutton.

In 2016, DIV generated $28.2 million of royalty revenue and management fees, an increase of $8.6 million from 2015. The year ended December 31, 2016 reflects the first full year of royalty income from the Sutton and Mr. Lube royalty stream, whereas royalty income from Franworks ceased on November 27, 2016. In addition, in July 2016, 215 agents were added to the Sutton royalty pool, increasing the number of agents from 5,185 to 5,400 agents.

Mr. Lube

SSSG of the 117 Mr. Lube flagship stores in the royalty pool was 6.2% for the Fourth Quarter and 4.9% for the Year.

Franworks

Upon completing the sale of the FW Rights, the Company's royalty arrangements with Franworks were terminated on November 27, 2016.

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.

Fourth Quarter and YTD Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "Mr. Lube completed a spectacular 2016 with SSSG of 6.2% for the Fourth Quarter and 4.9% for the Year. Management of Mr. Lube continues to execute at a high level. Sutton also had a strong year adding 215 agents to the royalty pool and increasing its profitability while continuing to reinvest in its business."

Mr. Morrison continued, "With the sale of the FW Rights, DIV had approximately $75 million of cash on hand at year-end, and is actively pursuing discussions with many potential businesses for its next royalty acquisition."

Distributable Cash

In the Fourth Quarter, distributable cash was $5.3 million ($0.0478 per share) compared to $6.3 million ($0.0559 per share) in the prior year. The decrease was due to the sale of the FW Rights on November 27, 2016.

In 2016, distributable cash was $24.0 million ($0.2128 per share) compared to $16.5 million ($0.1929 per share) in the same prior period. The increase was driven by additional royalty income generated from the acquisition of the Sutton royalty on June 19, 2015 and the Mr. Lube royalty on August 19, 2015, partially offset by the sale of the FW Rights on November 27, 2016.

In the Fourth Quarter and Year, the dividends declared were in excess of distributable cash. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Company intends to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time. However, as the Company has not yet completed a royalty acquisition subsequent to the sale of the FW Rights, the Company expects the payout ratio for the first quarter of 2017 to be higher than the fourth quarter of 2016, and to remain over 100% until such time as further royalty acquisitions are completed.

Resolution of John Bennett Indemnity Claim

On December 7, 2016, the Company entered into an agreement with John Bennett and the Company's directors and officers insurance underwriter to settle Mr. Bennett's indemnification claim against the Company and related matters. The Company agreed to make a payment totaling $1.1 million in full satisfaction of all remaining and potential liabilities that it could have in respect of Mr. Bennett's legal expenses, reward for tenure contract, and any other claim he could assert. Mr. Bennett signed a full and final release of all past, present and future claims against the Company and its past and current employees, directors and officers, including not seeking recourse against the Company or any third party that could claim contribution and indemnity from the Corporation directly in respect of any matter.

Net Income

Net income for the Fourth Quarter was $5.3 million, an increase of $3.6 million compared to the same period in the prior year. The increase was driven by lower litigation expense related to the settlement of both John Bennett's indemnification claim against the Company and the underwriter's claim for repayment of amounts advanced to DIV in respect of Mr. Bennett's past indemnity claims. This was partially offset by lower revenues related to the sale of the FW Rights and a non-cash impairment loss of $0.8 million.

Net income for the Year was $10.7 million, an increase of $4.7 million compared to the prior year. The increase was primarily due to the acquisitions of the Sutton and Mr. Lube royalties in 2015 and lower litigation expense, offset by a non-cash impairment loss of $2.2 million recorded 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 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 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 pursuit of its next royalty acquisition; DIV’s ability to pay a predictable and stable dividend to shareholders; DIV’s intention of achieving a payout ratio that approximates 100% over time; DIV’s expectation that the payout ratio for the first quarter of 2017 will be higher than the fourth quarter of 2016 and will remain over 100% until such time as further royalty acquisitions are completed; 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 make monthly dividend payments to the holders of its common shares; DIV will complete any further royalty acquisitions; DIV will achieve a payout ratio that approximates 100% over time; DIV’s payout ratio for the first quarter of 2017 will be higher than the fourth quarter of 2016 and will remain over 100% until such time as further royalty acquisitions are completed; 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. 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. 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

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 "Same Store Sales Growth" 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 months and year ended December 31, 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.

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