Diversified Royalty Corp. Announces Second Quarter Results
With Same-Store-Sales-Growth of 4.8%

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

Vancouver BC, August 14, 2017 – Diversified Royalty Corp. (TSX: DIV) (the “Company” or “DIV”) is pleased to announce its financial results for the three months (“Second Quarter”) ended June 30, 2017. A copy of this news release and DIV’s unaudited condensed consolidated interim financial statements and related Management’s Discussion and Analysis are available on SEDAR at www.sedar.com and on DIV’s website at www.diversifiedroyaltycorp.com.

Highlights

- Revenues of $4.5 million for the Second Quarter.
- Combined same-store-sales-growth (“SSSG”) for Mr. Lube Canada Limited Partnership (“Mr. Lube”) and Sutton Group Realty Services Ltd. (“Sutton”) of positive 4.8% for the Second Quarter.
- Amendment of credit agreements to extend the maturity dates from 2018 to 2022.

Second Quarter Results

In the Second Quarter of 2017, DIV generated $4.5 million of royalty revenue and management fees compared to $7.5 million in the Second Quarter of 2016. Revenues of $3.6 million were generated from Mr. Lube and $0.9 million were generated from Sutton. The decrease in total revenues was due to the sale of the trademarks and other intellectual property rights (the “FW Rights”) related to the business of Franworks Franchise Corp. on November 27, 2016.

Mr. Lube

SSSG of the 117 Mr. Lube flagship stores in the royalty pool was 5.5% for the Second Quarter of 2017, lapping 5.2% SSSG in the Second Quarter of 2016. Mr. Lube’s SSSG was driven by strong tire sales, services and visits, effective marketing campaigns and strong store level execution.

Sutton

Sutton’s fixed royalty increases at a contractual rate of 2% per year with the second increase effective July 1, 2017. 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, “We are very pleased to announce that combined SSSG for Mr. Lube and Sutton was 4.8% in the Second Quarter. The combined SSSG of Mr. Lube and Sutton continues to be best-in-class among the top line royalty funds in Canada with combined 10-year SSSG of 3.3%. Mr. Lube is operating on all cylinders while Sutton’s revenue and Normalized EBITDA are up versus 2016.”

Mr. Morrison continued, “We continue to actively engage in discussions with potential royalty partners, and remain cautiously optimistic in redeploying our cash on hand in accretive royalty transactions.”

Distributable Cash

In the Second Quarter, distributable cash was $3.6 million ($0.0340 per share) compared to $6.4 million ($0.0568 per share) in the prior year. The decrease was due to the sale of the FW Rights on November 27, 2016.

In the Second Quarter, 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 to remain over 100% until such time as further royalty acquisitions are completed.

Net Income

Net income for the Second Quarter was $2.7 million, a decrease of $1.0 million compared to the same prior period. The decrease was driven by the sale of the FW Rights in November 2016, partially offset by lower litigation expense related to the settlement in December 2016 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.

Amendment of Credit Agreements

On June 20, 2017, SGRS Royalties Limited Partnership ("SGRS LP"), a wholly owned subsidiary of DIV that owns the Sutton trademarks, amended its credit agreement to extend the maturity of its credit facility from June 19, 2018 to June 30, 2022. SGRS LP's amended credit facility consists of a non-amortizing $6.3 million term loan and a $0.5 million demand operating facility. In addition, the SGRS LP term loan facility now bears interest at the banker's acceptance rate plus 2.0%, which is an improvement of 25 basis points compared to the previous credit agreement. After taking into account SGRS LP's interest rate swap arrangement, the effective interest rate on the SGRS LP term loan facility is fixed at 3.16% per annum until June 19, 2018.

On July 31, 2017, ML Royalties Limited Partnership ("ML LP"), a wholly owned subsidiary of DIV that owns the Mr. Lube trademarks, amended its credit agreement to extend the maturity of its credit facility from August 19, 2018 to July 31, 2022. ML LP's amended credit facility consists of a non-amortizing $34.6 million term loan and a $1.0 million demand operating facility. In addition, the ML LP term loan facility now bears interest at the banker's acceptance rate plus 1.95%, which is an improvement of 55 basis points compared to the previous credit agreement. After taking into account ML LP's interest rate swap arrangements, the effective interest rate on the ML LP term loan facility is fixed at 3.07% per annum until August 13, 2018, which increases to 4.17% thereafter.

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 over $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.

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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 intention to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions; 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 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 will remain over 100% until such time as further royalty acquisitions are completed; SGRS LP will not further amend its credit facility in the future; ML LP will not further amend its credit facility in the future; or DIV will 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.

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"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 and six months ended June 30, 2017.

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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