NOTICE OF SPECIAL MEETING

and

INFORMATION CIRCULAR

of

DIVERSIFIED ROYALTY CORP.

to be held on

November 10, 2016

Dated October 11, 2016

DIVERSIFIED ROYALTY CORP.
902-510 Burrard Street,
Vancouver, British Columbia, V6C 3A8

LETTER TO SHAREHOLDERS

October 11, 2016

Dear Shareholder:

It is my pleasure to invite you to join your board of directors (the "**Board**") and the senior management ("**Management**") of Diversified Royalty Corp. ("**DIV**" or the "**Corporation**") for a special meeting of the holders (the "**shareholders**") of common shares of DIV (the "**DIV Shares**"), which is scheduled to convene at 9:00 a.m. (Vancouver time) on Thursday, November 10, 2016 at the offices of Farris, Vaughan, Wills & Murphy LLP, located at the 25th Floor of 700 West Georgia Street, Vancouver, British Columbia (the "**Meeting**").

At the Meeting, shareholders will be asked to consider and, if thought advisable, to pass a special resolution to approve the reduction of stated capital of the DIV Shares to $200 million. The special resolution, if approved, will result in a decrease in the stated capital of the DIV Shares with a corresponding aggregate increase in retained earnings and contributed surplus recorded on the Company's financial statements. For greater clarity, the apportionment of such aggregate increase in retained earnings and contributed surplus will be determined by Management following the Meeting in accordance with the Corporation's accounting standards, provided the special resolution is approved by shareholders. This will not result in a reduction in the number of DIV Shares outstanding or any immediate Canadian income tax consequences to a shareholder. We believe that the reduction of stated capital will provide the Corporation with increased flexibility in paying dividends to shareholders.

I urge you to attend the Meeting if you can. Should you have any questions for the Board or Management, the Meeting is an excellent place to raise those questions. If you cannot attend in person, I encourage you to exercise the power of your proxy, which is well explained in the accompanying information circular.

I appreciate your participation, and I look forward to seeing you this November in Vancouver.

Sincerely,

"Lawrence Haber"

Lawrence Haber
Chair

TABLE OF CONTENTS

SCHEDULES

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT a special meeting (the "**Meeting**") of the holders of the common shares of Diversified Royalty Corp. ("**DIV**" or the "**Corporation**") is scheduled to be held at the offices of Farris, Vaughan, Wills & Murphy LLP, located at the 25th Floor of 700 West Georgia Street, Vancouver, British Columbia on Thursday, November 10, 2016 at 9:00 a.m. (Vancouver time) for the following purpose:

1. To consider and, if thought advisable, to pass a special resolution (the "**Stated Capital Resolution**"), the full text of which is included as Schedule A to the information circular of the Corporation dated October 11, 2016 (the "**Circular**") that accompanies and forms part of this notice of special meeting of shareholders ("**Notice of Meeting**"), to approve the reduction of the stated capital of the Corporation's common shares to $200 million, as more particularly described in the Circular.

Accompanying this Notice of Meeting are: (1) the Circular; and (2) a form of proxy if you are a registered shareholder, or a voting instruction form if you are a non-registered shareholder.

If you are a registered shareholder of DIV and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and either fax it to Computershare Investor Services Inc. at 416-263-9524 or toll-free to 1-866-249-7775 or mail or hand deliver it to Computershare Investor Services Inc. at 8th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. Registered shareholders may also submit their proxy online or by telephone by following the instructions set forth on the form of proxy. In order to be valid, proxies must be submitted before 9:00 a.m. (Vancouver time) on Tuesday, November 8, 2016 or, in the event that the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for any adjournment or postponement of the Meeting. The Chair of the Meeting may waive this cut-off at his or her discretion without notice.

If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or such other intermediary. **If you fail to follow these instructions, your shares may not be eligible to be voted at the Meeting.**

Vancouver, British Columbia
October 11, 2016

By Order of the Board

"Sean Morrison"

Sean Morrison
President & Chief Executive Officer

DIVERSIFIED ROYALTY CORP.

INFORMATION CIRCULAR

This information circular (the "Circular") is furnished in connection with the solicitation of proxies by or on behalf of the management (the "Management") of Diversified Royalty Corp. ("DIV" or the "Corporation") for use at the special meeting (the "Meeting") of the holders ("shareholders") of the common shares ("DIV Shares") of the Corporation scheduled to be held on Thursday, November 10, 2016, at 9:00 a.m. (Vancouver time), or any adjournment or postponement thereof, at the offices of Farris, Vaughan, Wills & Murphy LLP, located at the 25th Floor of 700 West Georgia Street, Vancouver, British Columbia for the purposes set out in the accompanying notice of meeting (the "Notice of Meeting").

INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The information contained herein is given as of October 11, 2016, except as otherwise indicated. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Circular.

All dollar amounts in this Circular are in Canadian dollars unless specifically otherwise indicated. Unless the context otherwise requires, all references to the "Meeting" in this Circular include all adjournments and postponements thereof.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The enclosed form of proxy is being solicited by Management in connection with the Meeting and the associated costs of solicitation will be borne by DIV. The solicitation of proxies will be made primarily by telephone and mail but proxies may also be solicited personally or by facsimile or email by officers, directors or regular employees of DIV or by a proxy solicitation agent retained by DIV. Employees of DIV will not receive any extra compensation for such activities.

Appointment of Proxies

The persons named in the form of proxy accompanying this Circular are officers and/or directors of the Corporation. **A shareholder has the right to appoint a person, who need not be a shareholder, other than the persons specified in such form of proxy to attend and act for and on behalf of such shareholder at the Meeting. Such right may be exercised by either striking out the names of the persons specified in the form of proxy accompanying this Circular and inserting the name of the person to be appointed in the blank space provided in such form of proxy or by completing and executing another form of proxy and, in either case, returning such completed and executed form of proxy in the manner described herein.**

A form of proxy must be in writing and signed by the shareholder or by the shareholder's attorney duly authorized in writing or, if the shareholder is a body corporate or association, under its seal or by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing. A proxy will not be valid unless the completed form of proxy is: (i) faxed to Computershare Investor Services Inc. at 416-263-9524 or toll-free to 1-866-249-7775; (ii) hand-delivered or mailed to Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department; (iii) submitted online at www.investorvote.com; or (iv) submitted by telephone at 1-866-732-VOTE (8683). In order to be valid, proxies must be submitted before 9:00 a.m. (Vancouver time) on Tuesday, November 8, 2016 or, in the event that the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for any adjournment or postponement of the Meeting. The Chair of the Meeting may waive this cut-off at his or her discretion without notice.

DIV shareholders who hold their DIV Shares through an intermediary/broker are not entitled, as such, to vote at the Meeting through a proxy. Regulatory policy requires intermediaries/brokers to seek voting instructions from non-registered shareholders in advance of the Meeting. Such shareholders should carefully follow the instructions of their intermediary/broker, including those on how and when voting instructions are to be provided, in order to have their DIV Shares voted at the Meeting. See "– *Beneficial Shareholders*".

Revocation of Proxies

In addition to revoking a proxy by any other manner permitted by law, a shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast by completing an instrument in writing executed by the shareholder or his or her attorney duly authorized in writing, or if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized, and by depositing such instrument of revocation either with the Secretary of DIV, c/o Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department, at any time up to and including the last business day preceding the day of the Meeting, or with the Chair of the Meeting on the date of the Meeting immediately prior to the commencement thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his or her DIV Shares.

Voting of Proxies

The persons named in the form of proxy accompanying this Circular will vote the DIV Shares in respect of which they are appointed proxy in accordance with the instructions in the form of proxy and including on any ballot that may be called for at the Meeting. The persons named in the form of proxy accompanying this Circular may be instructed to vote for or against the Stated Capital Resolution (as defined below). In the absence of instructions, such persons will vote such DIV Shares in favour of or for each of the matters referred to in the accompanying Notice of Meeting.

The form of proxy accompanying this Circular confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly be brought before the Meeting. At the date of this Circular, Management of the Corporation knows of no such amendment or variations to the matters identified in the Notice of Meeting to be brought before the Meeting. However, if any other matters which are not now known to Management of the Corporation should properly be brought before the Meeting, the DIV Shares represented by any proxy will be voted on such matters in accordance with the judgement of the person named in such proxy.

Beneficial Shareholders

The information set forth in this section is important to all shareholders. These meeting materials are being sent to both registered and non-registered shareholders. If you are a non-registered shareholder and DIV or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the broker, intermediary or agent holding your DIV Shares on your behalf.

Shareholders whose DIV Shares are not registered in their own name are referred to in this Circular as "**Beneficial Shareholders**". There are two kinds of Beneficial Shareholders: those who have objected to their name being made known to the Corporation (called "**OBOs**", for Objecting Beneficial Owners) and those who have not objected (called "**NOBOs**", for Non-Objecting Beneficial Owners). **Beneficial Shareholders should note that only a shareholder whose name appears on the records of DIV as a registered holder of DIV Shares or a person they appoint as a proxy can be recognized and vote at the Meeting.** The majority of issued and outstanding DIV Shares are held in a book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Consequently, the majority of DIV Shares are registered under the name of CDS & Co. (the registration name for CDS). CDS also acts as nominee for brokerage firms through which Beneficial Shareholders hold their DIV Shares. DIV Shares held by CDS can only be voted upon the instructions of the Beneficial Shareholders provided through their intermediaries/brokers.

Proxy-related materials will be delivered indirectly to the Corporation's OBOs and NOBOs. As a result, both OBOs and NOBOs can expect to receive Meeting materials from their intermediary/broker, including a voting instruction form as more particularly described immediately below. The Corporation intends to pay for intermediaries/brokers to deliver Meeting materials to the Corporation's NOBOs and OBOs.

Applicable regulatory policy requires intermediaries/brokers to whom meeting materials have been sent to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their DIV Shares are voted at the Meeting. Often, the voting instruction form supplied to a Beneficial Shareholder by its intermediary/broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of intermediaries/brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Shareholders and asks for appropriate instructions respecting the voting of DIV Shares to be represented at the Meeting. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the DIV Shares held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of DIV Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote DIV Shares directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the DIV Shares voted. Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to have their DIV Shares properly voted at the Meeting.

Without specific instructions, intermediaries/brokers are prohibited from voting shares for their clients. If you are a Beneficial Shareholder, it is vital that the voting instruction form provided to you by your broker, intermediary or agent is returned according to their instructions, sufficiently in advance of the deadline specified by the broker, intermediary or agent, to ensure that they are able to provide voting instructions on your behalf.

Beneficial Shareholders cannot be recognized at the Meeting for purposes of voting their DIV Shares in person or by way of depositing a form of proxy. If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact your broker/intermediary well in advance of the Meeting to determine how you can do so.

Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their DIV Shares voted at the Meeting.

Registered Shareholders

There are four ways for registered shareholders to vote. Registered shareholders can vote by mail, fax, online or phone. If your DIV Shares are held in your own name, you are a "registered shareholder" and must submit your proxy in the postage paid envelope in sufficient time to ensure your votes are received **no later than 9:00 a.m. (Vancouver time) on Tuesday, November 8, 2016**, by:

- **Mail:** To the offices of Computershare Investor Services Inc. Attention: Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1; or
- **Fax:** Computershare Investor Services Inc.: 416-263-9524 toll free 1-866-249-7775; or
- **Online:** Visit www.investorvote.com and enter your 15 digit control number; or
- **Phone:** 1-866-732-VOTE (8683) toll free to cast your vote over the telephone by quoting your 15 digit control number located at the bottom left hand corner of your proxy.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Circular, which includes, without limitation, the letter to shareholders, the Notice of Meeting and all schedules thereto, contains certain information that may constitute forward-looking information within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not statements about the present or historical facts. Forward-looking information may relate to Management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, projected costs and capital expenditures, financial results, taxes and plans and objectives of, or involving, the Corporation. Specifically, forward looking information in this Circular includes, but is not limited to, statements made in relation to: the sale of the FW Rights (as defined below), including the terms thereof and the expected timing therefor; the investment in OJFG (as defined below) by Cara (as defined below) and the expected timing therefor; the expected use by OJFG of the proceeds of the Cara investment to purchase the FW Rights from DIV and FW LP (as defined below); the expected impact of the closing of the transactions contemplated under the FW Sale Agreement (as defined below) on the existing commercial arrangements among DIV, FW LP, Franworks (as defined below) and OJFG, including, without limitation, the termination of the Licence and Royalty Agreement and the Extension Agreement (each as defined below); the current intention of the Board (as defined below) with respect to the payment of Ordinary Dividends (as defined below) and special dividends; the intention of the Board to re-evaluate DIV's dividend policy upon completion of the sale of the FW Rights; the expected impact on DIV of the Stated Capital Resolution (as defined below), if passed at the Meeting, including, without limitation, the impact on DIV's ability to pay dividends; the expected tax implications to shareholders of the Stated Capital Reduction (as defined below); and the date of and other details related to the Meeting.

In formulating the forward-looking information 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. Management has also assumed that all necessary approvals for the transactions contemplated under the FW Sale Agreement will be obtained and that such transactions will be completed in the manner currently contemplated. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Corporation currently expects. These, include, without limitation, those risks noted below and those identified under "Risk Factors" in DIV's annual information form dated March 29, 2016. Undue importance should not be placed on forward-looking information, nor should reliance be placed upon this information as of any other date. DIV believes that the expectations reflected in the forward-looking information contained in this Circular are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: the transactions contemplated under the FW Sale Agreement will close on the terms currently contemplated, or at all; Cara will complete its investment in OJFG on the terms currently contemplated, or at all; that the conditions precedent to the sale of the FW Rights will be satisfied, including the receipt of necessary approvals from, among others, the Toronto Stock Exchange and the Competition Bureau (Canada); OJFG will continue to make royalty payments until closing of the sale of FW Rights in the amounts required, or at all; DIV will make monthly dividend payments to the holders of DIV Shares, in the amounts currently paid, or at all; the Meeting will be held at the time or the location expected; the Record Date (as defined below) for the Meeting will not change; the Stated Capital Resolution will be passed at the Meeting; DIV will declare and pay Ordinary Dividends or special dividends to the holders of DIV Shares if the Stated Capital Resolution is passed at the Meeting, or otherwise; or the tax consequences of the Stated Capital Reduction to shareholders will be consistent with the consequences currently contemplated by DIV and summarized under "Particulars of Matters to Be Acted On – Reduction in Stated Capital – Certain Canadian Federal Income Tax Considerations with respect to the Stated Capital Reduction" below. Given these uncertainties, readers are cautioned that forward-looking information included in this Circular is not a guarantee of future performance, and such forward-looking information should not be unduly relied upon.

All of the forward-looking information in this Circular 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 they will have the expected consequences to, or effects on, DIV. The forward-looking information is made as of the date of this Circular 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.

RECORD DATE AND QUORUM

DIV's board of directors (the "**Board**" or the "**Directors**") has set the close of business on October 11, 2016 as the record date (the "**Record Date**") for determining which shareholders will be entitled to receive notice of and to vote at the Meeting. Only shareholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting. Shareholders who acquire DIV Shares after the Record Date will not be entitled to vote such shares at the Meeting. Each DIV Share is entitled to one vote on those items of business identified in the Notice of Meeting.

The quorum for the transaction of business at the Meeting consists of two persons present in person, each being a shareholder entitled to vote at the Meeting or a duly appointed proxyholder holding or representing, in the aggregate, not less than 10% of the total number of DIV Shares issued and outstanding on the Record Date.

Subject to the *Canada Business Corporations Act* (the "**CBCA**"), any question at the Meeting shall be decided by a show of hands, unless a ballot thereon is required or demanded by the By-laws of the Corporation, and upon a show of hands every person present and entitled to vote will be entitled to one vote.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

DIV's authorized capital consists of an unlimited number of DIV Shares. As of the date of this Circular, 114,253,487 DIV Shares were issued and outstanding. Each DIV Share held at the Record Date is entitled to one vote on a ballot.

As of the date of this Circular, to the knowledge of the directors and officers of DIV, no person beneficially owns or controls or directs, directly or indirectly, more than 10% of the issued and outstanding DIV Shares.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director or executive officer of the Corporation and no associate of any director or executive officer of the Corporation was indebted to the Corporation at any time during the year ended December 31, 2015 or is indebted to the Corporation as of the date hereof.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no informed person of the Corporation or any associate or affiliate of an informed person has or had any material interest, direct or indirect, in any transaction or any proposed transaction that has materially affected, or will materially affect, the Corporation or any of its subsidiaries since January 1, 2015.

Maxam Services Agreements

Pursuant to a services agreement (the "**Maxam Services Agreement**") dated September 29, 2014, as amended, Maxam Capital Corp. provides certain administrative services to DIV for a monthly fee of approximately $9,000. Maxam Capital Corp. is indirectly owned and controlled by Mr. Sean Morrison (President and Chief Executive Officer of DIV) and Mr. Johnny Ciampi (Director of DIV). Mr. Ciampi was not a director of DIV at the time the Maxam Services Agreement was entered into. During the period from January 1, 2015 to October 11, 2016, a total of $190,500 was paid by DIV to Maxam under the Maxam Services Agreement.

Franworks Royalty

On September 26, 2014, DIV acquired, through FW Royalties Limited Partnership ("**FW LP**") (an entity controlled by DIV), all of the Canadian and U.S. trademarks and other intellectual property rights related to the Original Joe's, State & Main and Elephant & Castle restaurant businesses (the "**FW Rights**") from Original Joe's Franchise Group Inc. ("**OJFG**"), a wholly owned subsidiary of Franworks Franchise Corp. ("**Franworks**") (the "**FW Rights Acquisition**").

On September 26, 2014, FW LP and OJFG entered into a licence and royalty agreement (the "**Licence and Royalty Agreement**") pursuant to which FW LP licenses the use of the FW Rights to OJFG for the payment of a royalty equal to 6% of the gross sales of the Franworks restaurants included in the Royalty Pool (as defined in the Licence and Royalty Agreement). The amounts paid by OJFG to FW LP are reported on an annual and quarterly basis in DIV's financial

statements and management's discussion and analysis, copies of which are available under DIV's profile on SEDAR at www.sedar.com.

Mr. Derek Doke, who was a director of DIV and of the general partner of FW LP from September 26, 2014 until August 31, 2016, is also the President, Chief Executive Officer, a director and the controlling shareholder of Franworks. Mr. Murray Coleman, a director of DIV, is also a minority shareholder and legal advisor to Franworks. Neither Mr. Doke nor Mr. Coleman was a director of DIV or any of its subsidiaries at the time the: (i) Franworks Acquisition was agreed to or closed; or (ii) Licence and Royalty Agreement was entered into.

The FW Licence and Royalty Agreement will be terminated upon closing of the transactions contemplated under the FW Sale Agreement (as defined below). See "– Sale of FW Rights".

Franworks Royalty Pool Adjustment

Effective April 1, 2015, the Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the U.S. that had been permanently closed (the "**2015 FW Royalty Pool Amendment**").

The initial consideration paid for the estimated net additional royalty revenue of approximately $0.6 million was approximately $4.9 million, representing 80% of the total estimated consideration of approximately $6.2 million payable to OJFG for such additional royalty revenue. The adjustment for net additional royalty revenue added to the Royalty Pool is designed to be accretive to shareholders, as the consideration paid to OJFG is calculated using a 7.5% discount of the estimated net royalty revenue added to the Royalty Pool. The consideration was paid on the basis of the 20-day volume weighted average closing price of the DIV Shares for the period ending March 25, 2015. Based on a weighted average closing price of $2.69 per DIV Share, the initial consideration payable for the net additional royalty revenue was paid to OJFG in the form of 1,835,728 DIV Shares on April 1, 2015.

On March 24, 2016, DIV, FW LP, FW Royalties GP Inc. and OJFG entered into an extension agreement (the "**Extension Agreement**") pursuant to which the parties agreed to: (i) extend the date for the payment of the remaining consideration payable by FW LP to OJFG in respect of the 2015 FW Royalty Pool Amendment from April 1, 2016 to April 3, 2017; and (ii) extend the deadline under the Licence and Royalty Agreement from March 26, 2016 to April 3, 2017 for the expenditure by OJFG of a minimum of $8.0 million to refurbish and renovate certain Elephant & Castle restaurants in the Royalty Pool.

The remaining consideration payable by FW LP for the net additional royalty revenue was determined on the basis of an audit for the actual gross sales of the five new restaurants for the year ended December 31, 2015. The actual sales were approximately $14.2 million compared to the original estimate of $13.5 million. The remaining consideration was to be paid in the form of 637,051 DIV Shares (the "**Roll-in Shares**"). In addition, OJFG was to receive a lump sum cash payment equal to the amount of the dividends that OJFG would have received on the Roll-in Shares if such shares had been issued on April 1, 2015. However, pursuant to the terms of the FW Sale Agreement, Franworks and OJFG have agreed that upon closing of the transactions contemplated under the FW Sale Agreement, OJFG's right to receive the Roll-in Shares and the accrued dividends thereon will be extinguished. See "– Sale of FW Rights".

Mr. Doke and Mr. Coleman abstained from voting on all matters related to the approval of the 2015 FW Royalty Pool Amendment and the Extension Agreement.

Sale of FW Rights

On August 31, 2016, DIV and FW LP entered into an agreement (the "**FW Sale Agreement**") to sell the FW Rights back to OJFG for $90.0 million, the cancellation of the 8,992,187 DIV Shares held by OJFG, the extinguishment of OJFG's right to receive the Roll-in Shares and the extinguishment of OJFG's right to receive accrued dividends on the Roll-in Shares to the date of closing of the transactions contemplated under the FW Sale Agreement.

The FW Sale Agreement is part of a larger transaction whereby Cara Operations Limited ("**Cara**") entered into an agreement with OJFG to acquire majority control of OJFG for $93.0 million. $90.0 million of Cara's $93.0 million investment in OJFG will be used to fund the acquisition of the FW Rights by OJFG. Cara's investment in OJFG and DIV's sale of the FW Rights to OJFG are expected to close concurrently late in 2016. Upon closing Cara will control OJFG and will therefore indirectly own and control the FW Rights.

The respective obligations of DIV, FW LP, Franworks and OJFG under the Licence and Royalty Agreement, Extension Agreement and various other related agreements which are described in DIV's annual information form dated March 29, 2016 will terminate upon closing of the transactions contemplated under the FW Sale Agreement.

The terms of the FW Sale Agreement were reviewed and recommended for approval by a special committee of the Board consisting of all disinterested directors (the "**FW Special Committee**"), which specifically excluded Messrs. Doke and Coleman. On August 31, 2016, following the resignation of Mr. Doke from the Board, the FW Special Committee considered the terms of the FW Sale Agreement and unanimously recommended its approval by the Board after consulting with its legal and independent financial advisors. Immediately following the receipt of the recommendation of the FW Special Committee, the Board unanimously voted to approve entering into the FW Sale Agreement and all transactions contemplated therein, with Mr. Coleman declaring his interest in such transactions and abstaining from voting.

Mr. Lube Real Estate

On July 23, 2015, DIV and its direct subsidiary ML Royalties Limited Partnership entered into an acquisition agreement (the "**ML Acquisition Agreement**") with Mr. Lube Canada Limited Partnership ("**Mr. Lube**") to acquire the trademarks and certain other intellectual property rights used by Mr. Lube in its business as well as four parcels of real property the ("**ML Real Estate**"). DIV's agreement to acquire the ML Real Estate was a condition of Mr. Lube to its execution of the ML Acquisition Agreement. DIV management initially negotiated the assignment of its purchase rights with respect to the ML Real Estate to an unrelated third party (the "**Third Party**") pursuant to which the Third Party agreed to acquire the ML Real Estate for $12.3 million. However, the Third Party ultimately only agreed to acquire one of the four properties comprising the ML Real Estate for a price of $3.7 million. DIV subsequently negotiated the assignment of its purchase rights for the remaining three properties comprising the ML Real Estate to the following non-arm's length parties: (i) Bradley Newby, a partner at Farris, Vaughan, Wills & Murphy LLP, DIV's legal counsel, on behalf of himself and his business associate with respect to two of the properties, which were agreed to be acquired for an aggregate price of $4.0 million; and (ii) Mr. Sean Morrison, the President and Chief Executive Officer of DIV and Mr. Johnny Ciampi, a director of DIV, with respect to one of the properties, which was agreed to be acquired for a price of $4.6 million (such transaction, however, was subsequently abandoned upon the mutual agreement of Mr. Lube and Messrs. Morrison and Ciampi). The terms on which such non-arm's length parties agreed to acquire the remaining three properties were substantially the same as the terms that had been previously agreed with the Third Party.

The Board appointed an *ad hoc* special committee consisting of Ms. Paula Rogers and Mr. Murray Coleman (the "**ML Special Committee**") to review and report to the Board in respect of DIV's assignment of its purchase rights with respect to the ML Real Estate. The ML Special Committee reviewed the background to the ML Real Estate transactions, the negotiations leading up to the signing of the purchase and sale agreements in respect of the ML Real Estate and the terms and conditions of the ML Real Estate transactions. Based upon their review, the members of the ML Special Committee reported to the Board at a meeting of the Board held on July 29, 2015 that the ML Special Committee had concluded that the proposed transactions with the non-arm's length parties were in the best interests of DIV and recommended that the Board approve the proposed transactions. Having received the report of the ML Special Committee, and having asked questions of the ML Special Committee and management of DIV, and following careful deliberation of the ML Real Estate transactions, the disinterested members of the Board concluded that the transactions with Mr. Newby and his business associate and Messrs. Morrison and Ciampi with respect to the ML Real Estate were in the best interests of DIV, and unanimously resolved to approve the ML Real Estate transactions on August 6, 2015 following their preliminary approval on July 29, 2015.

Legal Fees

Since January 1, 2015, the Corporation has paid legal fees of approximately $1.3 million to Farris, Vaughan, Wills & Murphy LLP, a law firm where a director of DIV is a partner.

Other

The audit committee of the board of directors (the "**Audit Committee**") reviewed all related party transactions between the Corporation and its subsidiaries and the officers and directors of the Corporation. Other than as previously disclosed in the Corporation's financial statements which have been filed on SEDAR at www.sedar.com, the Audit Committee determined that there were no undisclosed related party transactions that required disclosure under any securities laws.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, no person who was a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year and no associate or affiliate of any such director or executive officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

REDUCTION IN STATED CAPITAL

Pursuant to Section 38(1) of the CBCA, the Corporation may by special resolution reduce its stated capital for any purpose. Accordingly, at the Meeting, shareholders will be asked to consider and, if thought advisable, to pass a special resolution (the "**Stated Capital Resolution**"), the full text of which is included as Schedule A to this Circular, to approve the reduction of the stated capital of the DIV Shares to $200 million (the "**Stated Capital Reduction**").

Reasons for the Stated Capital Reduction

The Corporation currently pays an ordinary monthly dividend of $0.01854 per DIV Share (which is equal to $0.2225 per DIV Share on an annualized basis) (the "**Ordinary Dividend**"). Upon closing of the transactions contemplated under the FW Sale Agreement, the Board currently expects to continue paying the Ordinary Dividend and may consider paying one or more special dividends to shareholders. In order to be able to pay a dividend, under the CBCA, there must be, among other things, no reasonable grounds for believing that the realizable value of the Corporation's assets would, as a result of the dividend, be less than the aggregate of its liabilities and the stated capital of the DIV Shares.

The Board believes that stated capital of the DIV Shares should be reduced in order to provide the Corporation with flexibility to: (i) continue to pay the Ordinary Dividend from the Corporation's retained earnings; and/or (ii) pay one or more special dividends, should it resolve to do so following the completion of the transactions contemplated under the FW Sale Agreement. The Stated Capital Resolution, if approved, will result in a decrease in the stated capital of the DIV Shares with a corresponding aggregate increase in retained earnings and contributed surplus recorded on the Company's financial statements. For greater clarity, the apportionment of such aggregate increase in retained earnings and contributed surplus will be determined by Management following the Meeting in accordance with the Corporation's accounting standards, provided the Stated Capital Resolution is approved by shareholders. In addition, the Stated Capital Resolution, if approved, will not result in a reduction in the number of DIV Shares outstanding.

The proposed Stated Capital Resolution to confirm the stated capital at $200 million is designed to provide the Corporation with flexibility to pay Ordinary Dividends from the Corporation's retained earnings and/or to pay special dividends, should the Board consider it appropriate to do so. There is no current intention to pay special dividends in the immediate future; however, the Corporation currently intends to continue to pay its Ordinary Dividend. The Board will, however, re-evaluate the Corporation's dividend policy upon completion of the transactions contemplated under the FW Sale Agreement.

Certain Canadian Federal Income Tax Considerations with respect to the Stated Capital Reduction

The following is a summary of the principal Canadian federal income tax considerations related to the proposed Stated Capital Reduction that are generally applicable to shareholders. This summary is based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"), the regulations to the Tax Act, and the current published administrative practices and assessing policies of the Canada Revenue Agency (publicly available prior to the date hereof). This summary also takes into account all proposed amendments to the Tax Act and regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and assumes that the Proposed Amendments will be enacted in the form proposed, although no assurances can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental, regulatory, or judicial action or decision, or changes in the administrative practices of the Canada Revenue Agency, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is not applicable to (i) a shareholder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules, (ii) a shareholder an interest in which would be a "tax shelter investment" as defined in the

Tax Act, (iii) a shareholder that is a "specified financial institution" as defined in the Tax Act, or (iv) a shareholder who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act. Any such shareholder should consult its own tax advisor.

This summary is not exhaustive of all Canadian federal income tax considerations related to the proposed Stated Capital Reduction, nor does it take into account any provincial or territorial tax laws of Canada or any tax laws of any jurisdiction outside Canada. This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular shareholder of the Corporation. Each shareholder should obtain advice from his, her or its own independent tax advisors with respect to his, her or its particular tax position as such consequences can vary depending upon the particular circumstances of each shareholder.

The proposed Stated Capital Reduction will not result in any immediate Canadian income tax consequences to a shareholder nor will it affect a shareholder's adjusted cost base ("**ACB**") of the DIV Shares for purposes of the Tax Act. However, the Stated Capital Reduction will reduce the paid-up capital (within the meaning of the Tax Act) of the DIV Shares ("**PUC**") by an amount equal to the reduction in stated capital. PUC is generally the aggregate of all of the amounts received by the Corporation upon issuance of its shares (by class) adjusted in certain circumstances in accordance with the Tax Act over the total outstanding number of shares of that class. PUC differs from the ACB of shares to any particular shareholder as ACB is calculated based on the amount paid by a shareholder to acquire shares of the Corporation, whether on issuance by the Corporation or through the marketplace.

Although the Stated Capital Reduction and the corresponding reduction of the PUC of the DIV Shares will not have any immediate Canadian income tax consequences, such reduction may have future Canadian federal income tax consequences to a Shareholder in certain circumstances, including, but not limited to, if DIV repurchases or redeems any DIV Shares, on a distribution of assets from DIV to its shareholders, or if DIV is wound-up. In general, upon such a transaction occurring, a shareholder will be deemed to have received a dividend to the extent that the amount paid or distributed exceeds the PUC of the shareholder's DIV Shares and will be included in their taxable income. Such amounts may otherwise have been taxed as capital gains.

Limitation on Reduction of Stated Capital under the CBCA

Section 38(3) of the CBCA provides that a corporation shall not reduce its stated capital if there are reasonable grounds for believing that: (i) the corporation is, or would after the reduction be, unable to pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

In recommending the Stated Capital Resolution for approval, the Board has reasonable grounds for believing that: (i) DIV is, or would, after the Stated Capital Reduction, be able to pay its liabilities as they become due; and (ii) the realizable value of DIV's assets would thereby be equal to or greater than the aggregate of DIV's liabilities.

Board Recommendation and Approval Requirement

The Board recommends that shareholders vote <u>FOR</u> the Stated Capital Resolution. To be effective, the Stated Capital Resolution must be approved by not less than two-thirds of the votes cast by the holders of DIV Shares present in person, or represented by proxy, at the Meeting.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED <u>FOR</u> THE APPROVAL OF THE STATED CAPITAL RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE DIV SHARES ARE TO BE VOTED AGAINST THE STATED CAPITAL RESOLUTION.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the Management representatives named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

ADDITIONAL INFORMATION

Financial information about the Corporation is contained in its consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2015 and additional information relating to the Corporation is available on SEDAR at www.sedar.com. If you would like to obtain, at no cost to you, a copy of any of the following documents:

(a) the latest annual information form of the Corporation together with any document, or the pertinent pages of any document, incorporated by reference therein,

(b) the consolidated financial statements of the Corporation for the fiscal year ended December 31, 2015, together with the accompanying report of the auditors thereon and any interim financial statements of the Corporation for the periods subsequent to December 31, 2015, and any Management's Discussion and Analysis with respect thereto, and/or

(c) this Circular,

please send your request to:

Diversified Royalty Corp.
902-510 Burrard Street
Vancouver, British Columbia V6C 3A8
Attn: Greg Gutmanis, Chief Financial Officer and VP Acquisitions

APPROVAL OF CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Circular have been approved by the Directors of the Corporation.

DATED at Vancouver, British Columbia this 11th day of October, 2016.

By Order of the Board,

"*Sean Morrison*"

Sean Morrison
President & Chief Executive Officer

SCHEDULE A – STATED CAPITAL RESOLUTION

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The stated capital of the common shares of Diversified Royalty Corp. (the "**Corporation**") be reduced to $200,000,000 pursuant to Section 38(1) of the *Canada Business Corporation Act*.

2. Notwithstanding that this Special Resolution has been duly adopted by the shareholders of the Corporation, the board of directors of the Corporation be and it is hereby authorized, in its sole discretion, to revoke this Special Resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the shareholders of the Corporation.

3. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such person determines to be necessary or desirable in order to carry out the intent of this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."