

September 25, 2015

Dear Shareholder:

CRC ROYALTY CORPORATION DIVIDENDS

Caledonian Royalty Corp. ("Caledonian"); the company from which CRC Royalty Corporation ("CRC") receives 100% of its income, recently announced a 50% reduction in their dividend payout which caused CRC to correspondingly reduce CRC shareholder distributions by 50%, effective July 31, 2015.

On September 15, 2015, Caledonian announced that they will be entirely deferring their dividend payout until further notice. Please refer to enclosed letter from Caledonian for what Caledonian management has said. As a result, the monthly distributions to CRC shareholders will also have to be deferred, effective immediately, until Caledonian reinstates its dividend payout.

CALEDONIAN AND FORMER MANAGEMENT LAWSUIT STATUS

As you know, the fundamental reason for exchanging your royalty units for CRC Shares back in the fall of 2011, was the promise by Caledonian and former management to provide liquidity to you before December 31, 2012. It has now been almost 4 years since CRC shareholders accepted this proposal on the basis of CRC's promise of liquidity (as specified in the terms of the purchase agreement). During this time period other similar royalty companies have successfully listed on a stock exchange, thus providing their investors with the opportunity for liquidity.

As a result of Caledonian failing to provide liquidity as was represented and contractually agreed, CRC has pursued legal action against both former management and Caledonian (together the "Defendants"). By way of a statutory arrangement (the "Arrangement"), approved by CRC shareholders, the lawsuit has been expanded to include additional claims against the Defendants, including claims against the personal Defendants in their capacities as former management of CRC and claims against Caledonian challenging the validity of its recent redemption of Caledonian royalty units.

The lawsuit claims for damages suffered by reason of, among other things: breach of contract, breach of warranty, negligence and breach of fiduciary obligations on the part of the Defendants. A significant portion of the damages for which compensation is sought are a result of Defendants continuing breach of its obligations to issue securities of Caledonian which are listed on a recognized stock exchange in Canada to the CRC shareholders in exchange for their CRC Shares, and thereby afford the CRC Shareholders the ability to sell such securities to liquidate their investment in CRC.

The quantum of the damages awarded in the lawsuit will ultimately be determined by the Court, but the claims for damages are premised in part on the difference between:

- (a) the greater of:
 - (i) \$25,284,000 (i.e. \$12.00 per share), which is the value agreed by Caledonian in 2011; and
 - (ii) such higher dollar value per share as may have been attributable to Caledonian shares during 2012 and early 2013, when the energy market was at its zenith and Caledonian was contractually obligated to obtain a stock exchange listing and issue publicly traded Caledonian shares in exchange for 2,107,000 CRC shares; and
- (b) whatever value unlisted Caledonian shares may have at the time of judgment, based on the then present value of Caledonian's oil and gas assets, as compared to its liabilities, following years of delay and continuing breaches by the Defendants.

The Arrangement provides for the benefits of the lawsuit to flow to the CRC shareholders. The Arrangement became effective on May 8th, 2015 with the approval of the Supreme Court of British Columbia, as required by the Business Corporations Act (British Columbia).

We anticipate that the lawsuit will proceed to examinations for discovery later this fall.

We wish to thank our shareholders and their financial advisors for their continuing support and patience in this matter, and look forward to providing further updates as they become available.

Should you wish to discuss this or have any questions, please feel free to contact myself at your convenience at hugh@mapleleafunds.ca or 604-630-7020.

ON BEHALF OF THE BOARD OF DIRECTORS

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hugh', written over a horizontal line.

Hugh Cartwright, Chairman
CRC Royalty Corporation



Caledonian Royalty Corporation

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To our valued shareholders,

September 15, 2015

The decline in oil and natural gas prices over the past year has adversely affected our cash flow. While last year's operating revenues including the newly acquired Perpetual Royalty, totaling \$1.5 million monthly or \$18 million annually, we are currently just under \$1.0 million per month or about \$11 million annually, still well in excess of our interest expense and G&A on an annualized basis.

In August and September of 2013, Caledonian issued \$50 million first secured notes at a rate of 7.5% for three years until August 31, 2016. We are now engaged in refinancing those notes in cooperation with several financial institutions and other potential investors. To conserve cash during this process, the Board of Directors has resolved to defer distributions temporarily, a prudent move in an environment where there is continued volatility, particularly in crude oil prices. Fortunately, Caledonian is more heavily weighted to natural gas (about 85% by volume) and there are signs that natural gas prices may now be firming (both Henry Hub and AECO). We will examine our position and progress next month, and will keep our shareholders advised.

The flip side of low energy prices is that there are a number of acquisition opportunities in this environment of low energy prices, and we are sourcing and examining several and have been exploring financing opportunities as we have been negotiating the refinancing of our notes.

In November 2014 two new independent directors joined the Caledonian board: Rod McIsaac and Keith Turnbull. We have appreciated their guidance and support during this challenging period.

We will offer existing shareholders the opportunity of participating in a new equity offering on relatively attractive terms, either in conjunction with refinancing of the notes, or to support our next acquisition. We would be delighted to discuss this with you further at your convenience. In the meantime we sincerely appreciate your continued support.

Sincerely,

James S. Kinnear
Founder, Chairman and CEO