



CRC ROYALTY CORPORATION

Management Discussion & Analysis

September 30, 2015

This Management's Discussion and Analysis ("MD&A") was prepared at November 30, 2015 and is management's opinion about the operating and financial results of CRC Royalty Corporation ("CRC" or the "Company") for the period ended September 30, 2015. This MD&A should be read in conjunction with the unaudited annual condensed interim financial statements for the period ended September 30, 2015 as well as the audited annual financial statements for the year ended December 31, 2014. The Board of Directors of the company approved the MD&A on November 30, 2015.

The condensed interim financial statements and comparative information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian currency, unless otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Company. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

The Company believes the forecasts or projections herein are reasonable, however readers are cautioned not to place undue reliance on such forward-looking information. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Company may invest and the risks. We caution that the foregoing list of factors is not exhaustive.

The forward-looking information is given as of the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

NON-IFRS MEASURES

Certain financial measures referred to in this discussion, such as funds from operations are not prescribed by IFRS. Funds from operations are a key measure that demonstrates the ability to generate cash to fund dividends. These non-IFRS financial measures may not be comparable to similar measures presented by other companies. These financial measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to cash provided by operating activities, net loss or other measures of financial performance calculated in accordance with IFRS.

CRC's method of calculating funds from operations may differ from that of other companies and accordingly may not be comparable to measures used by other companies. CRC determines funds from operations as cash flow from operating activities before changes in non-cash working capital as follows:

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Cash flow from operating activities	(592)	4,101	218,460	138,392	177,117	254,504	221,520
Change in non-cash working capital	14,138	95,307	(69,495)	154,038	(254,749)	(17,345)	(13,038)
Funds from operations	13,546	99,408	148,965	292,429	(77,632)	237,159	208,482

All barrels of oil equivalent (boe) conversions in this report are derived by converting natural gas to crude oil in the ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of crude oil. Certain financial values are presented on a boe basis and such measurements may not be consistent with those used by other companies. Boe may be misleading, particularly if used in isolation. A boe conversion of 6

mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

INVESTMENT OBJECTIVES AND STRATEGY

The Company intends to achieve its investment objectives by purchasing and holding common shares that pay monthly distributions.

BUSINESS OVERVIEW

The Company commenced operations on October 5, 2011 as a wholly owned subsidiary of WCSB Oil and Gas Royalty Income 2009 Limited Partnership ("LP"). The Company was created to affect the transaction outlined in the July 26, 2011 "Restructuring Agreement" whereby the former partners of LP became the majority shareholders of CRC Royalty Corporation. When LP was dissolved, CRC became the ultimate parent Company and assumed the reporting requirements on from LP.

As part of the Corporate restructuring, CRC Royalty Corp (formerly LP) changed its major business activities from holding royalties in oil and gas properties to holding royalty units of Caledonian Royalty Corporation ("Caledonian").

RESULTS OF OPERATIONS

The following table sets forth certain quarterly information of the Company.

	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Financial								
Distribution income	84,280	221,235	221,235	321,318	326,585	316,050	273,910	273,910
Funds from operations	13,546	99,408	148,965	292,429	-77,632	237,159	208,482	204,440
Net income (loss)	(2,049,881)	90,217	142,444	105,621	193,368	228,989	200,402	(971,878)
Income (loss) per unit basis and diluted	0.00	0.04	0.07	0.05	0.09	0.11	0.10	(0.46)

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

The fluctuations in CRC's distribution income from quarter to quarter are caused by changes in distribution rates received on its royalty units. Net income (loss) was impacted in the fourth quarter of 2013 by losses on royalty units.

CURRENT PERIOD RESULTS

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue	84,280	326,585	526,750	916,545
Net income	(2,049,881)	193,368	222,936	715,687
Basic and diluted income per share	0.00	0.09	0.11	0.34
Total assets	11,190,963	14,854,302	14,878,213	14,964,921
Total non-current liabilities	4,731,548	6,321,027	6,378,643	6,321,027
Dividends declared per share	0.00	0.11	0.11	0.32

REVENUE

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Distribution income	84,280	326,585	526,750	916,545

The Company's total revenue decreased in the period ended September 30, 2015 compared to the period ended September 30, 2014 by 43% due to a temporary suspension of the distribution income normally received from Caledonian.

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
General and administrative	1,072	53,629	14,791	83,906

The Company's general and administrative expenses decreased by 82% in the period ended September 30, 2015 compared to the period ended September 30, 2014.

PROFESSIONAL FEES

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Professional fees	17,032	39,641	90,800	53,398

The Company's professional fees increased by 70% in the period ended September 30, 2015 compared to the period ended September 30, 2014. The increase is mainly attributable to non-recurring legal fees relating to legal proceedings against Caledonian Royalty Corporation totalling \$59,445.

ROYALTY SHARES

The Company held 2,107,000 royalty shares on September 30, 2015 which were acquired through the January 21, 2015, special resolution which was passed authoring the redemption of all outstanding Royalty Units and the issuance of one common share of Caledonian in exchange for each Royalty Unit. As a result, all Caledonian Royalty Units held by the Company have been redeemed and the Company has received Caledonian shares in exchange.

The Company determined the fair value to be \$5.25 per a share, this is the price which is the last known price paid per share through an ordinary transaction between market participants.

INCOME TAXES

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Current tax expense	68,775	33,000	154,749	122,838
Deferred tax expense	(1,637,961)	(16,251)	(1,622,249)	-

The Company's total current tax expense decreased in the period ended September 30, 2015 compared to the period ended September 30, 2014 by 26% due to the increase in taxable income.

SHARE CAPITAL

As of September 30, 2015 and 2014, CRC had 2,107,000 common shares outstanding.

GOING CONCERN

The Company had net income loss of \$1.81 million for the period ended September 30, 2015 and has an accumulated deficit of \$25.07 million at September 30, 2015. The deficit was primarily created by losses on royalty units which is a non-cash item and does not affect the Company's positive cash from operating activities. The Company does however rely on distributions from Caledonian Royalty Corporation ("Caledonian") which are uncertain to continue as the distributions are at the discretion of Caledonian's Board of Directors, see also discussion in this MD&A regarding litigation. Therefore, there is material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern.

RELATED PARTY TRANSACTIONS

Caledonian Royalty Corporation ("Caledonian") and CRC Royalty Corporation are related because CRC owns 13.84% of the outstanding shares in Caledonian. CRC received two distributions from Caledonian in the period ended September 30, 2015 totaling \$84,280 (September 30, 2014 - \$326,585).

Caledonian Royalty Corporation ("Caledonian") and CADO Bancorp Ltd. are related through common managers and directors. There were no related party transactions for the period ended September 30, 2015.

CAPITAL MANAGEMENT

CRC Royalty Corporation is structured to return the majority of income to shareholders by paying a monthly dividend. The Company previously received distributions on Caledonian royalty units on the 15th of every month and then paid dividends by the end of each month. Unfortunately, the decline in oil and natural gas prices over the past year has adversely affected Caledonian's cash flow. To conserve cash during this process, the Board of Directors of Caledonian has resolved to defer distributions.

CRC defines capital as Shareholders' equity and working capital based on the financial statements. CRC manages its capital structure taking into account operating activities and dividend payments. The Company also considers changes in the economic conditions, commodity prices and the risk associated with the Company's assets.

The monthly dividends to shareholders are derived by subtracting the monthly operating requirements from the distributions received. The remaining funds are paid out as dividends. The monthly dividends are not cumulative and are subject to approval by the Board of Directors.

BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to numerous operational risks and uncertainties associated with the Company's royalty units. CRC has no operational control related to its royalty shares. Primary risks include, but are not limited to, uncertainty associated with exploration and development drilling of lands, changes in production practices, product pricing, industry competition and political and regulatory changes.

Commodity prices, which are subject to external influences beyond the Company's control, are the Company's most significant financial risk. Market events and conditions, including disruptions in the

international credit markets and other financial systems and the deterioration of global economic conditions; have caused significant volatility to commodity prices. Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of economies worldwide, OPEC actions, the ongoing credit and liquidity concerns, and the severe current political instability in a number of countries in the Middle East, several of which are crude oil exporters. Volatile crude oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for crude oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value.

SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies for the period ended September 30, 2015, are noted below.

IFRIC 21 - "Levies", which establishes guidelines for the recognition and accounting treatment of a liability relating to a levy imposed by a government. This standard is effective for annual periods beginning on or after January 1, 2014 and was adopted by the Company effective January 1, 2014. The adoption of IFRIC 21 had no impact on the Company.

Amendments to "Offsetting Financial Assets and Financial Liabilities" addressed within IAS 32 - "Financial Instruments: Presentation", which provides guidance regarding when it is appropriate and permissible for an entity to disclose offsetting financial assets and financial liabilities on a net basis. The amendments to this standard are effective for annual periods beginning on or after January 1, 2014 and were adopted by the Company effective January 1, 2014. The adoption of IAS 32 amendments had no impact on the Company.

LITIGATION DISCLOSURE

The Company and others have filed a Notice of Claim against Caledonian Royalty Corp. and others claiming 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, including acts and omissions relating to the 2011 Restructuring Agreement pursuant to which the Company received Caledonian Royalty Units from Caledonian in exchange for the royalty producing assets of three limited partnerships (the "**WCSB LPs**"), and those persons who were then Limited Partners of the WCSB LPs received shares of the Company in exchange for their Limited Partnership Units. A significant portion of the damages for which compensation is sought are a result of Caledonian's continuing breach of its contractual covenant to list Caledonian securities on a recognized stock exchange in Canada allowing CRC Shareholders the ability to liquidate their investment. Accordingly, the legal proceedings have been brought on behalf of and for the benefit of the CRC shareholders, and CRC and the other plaintiffs have entered into an agreement providing for a statutory Plan of Arrangement to achieve the result that the net benefits derived from the proceedings will accrue to the CRC shareholders and not to the plaintiffs. The CRC shareholders approved and adopted that Arrangement at a general meeting held on April 14, 2015 and the Company intends to apply for Court approval of the Arrangement at an early date.



CRC ROYALTY CORPORATION

CORPORATE HEAD OFFICE
Suite 808, 609 Granville Street
Vancouver, BC V7Y 1G5

AUDITORS
KPMG LLP

TRUSTEE
Computershare

BANK
Bank of Nova Scotia