



Caledonian Royalty Corporation

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September 9, 2013

CALEDONIAN ANNOUNCES SUCCESSFUL \$48 MILLION TERM DEBT OFFERING

When we made our first three acquisitions at Caledonian, we were assisted in closing the transactions through lines of credit provided by the Alberta Treasury Branches. The financing was comprised of three tranches totalling \$38.5 million. Caledonian also raised almost \$115 million in new equity privately to fund the acquisitions. Our debt arrangements required us to pay both principal and interest and to re-evaluate our borrowing base from time to time to match the long term character of Caledonian's assets, we decided that it would be prudent to access more permanent debt capital financing for Caledonian.

Scotia Capital Markets provided Caledonian with a proposal to issue up to \$50 million of 3 year fully secured first mortgage debt paying 7% per annum. Considerable time and effort was expended on documentation and due diligence and marketing began in July. This was done to the professional standards of Scotia Capital Markets and to prepare documentation and processes for further equity issues by Caledonian. With the overall general increase in interest rates since spring, the rate was recently enhanced by 0.5% to 7.5%. Our Press Release confirming the completion of \$48 million of 7.5% Senior Secured First Lien Notes due August 31, 2016 is attached, making this a very successful private placement to individual investors. This issue provides sufficient funding to Caledonian to completely repay its bank loans outstanding, along with certain trade payables.

This note issue provides us with increased financial flexibility and an enhanced ability to accelerate the growth of our business.

While we may still consider mature interest working properties our focus will remain on the acquisition of royalty interests, both industry royalties, and also through the creation of "synthetic" royalties, similar to the Compton transaction.

The oil and gas industry is capital intensive and has a substantial appetite for capital to explore and develop its properties and to offset ongoing relentless depletion. Caledonian has identified a number of companies that could consider royalty financing as part of their capital raising activities. We will be seeking to initiate transactions with these companies and continue to build our business endeavors. As part of this endeavor Caledonian will seek to raise additional equity to grow the business, and we will provide further information to you as we progress.

The successful note offering is a pivotal development for Caledonian - it provides term financing for our assets and the support of a major bank owned investment dealer in Scotia Capital Markets. They have conducted extensive due diligence with respect to Caledonian and are prepared to support us on this offering and potentially assist with the growth of our business through future endeavors.

Thank you for your continued interest and support.

Sincerely

A handwritten signature in black ink that reads "James S. Kinnear". The signature is written in a cursive, flowing style.

James S. Kinnear
Chairman and Chief Executive Officer