

PrairieSky Announces 2023 Second Quarter Results, Including Record Oil Royalty Production

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CALGARY, July 17, 2023 - [PrairieSky Royalty Ltd.](#) ("PrairieSky" or the "Company") (TSX: PSK) is pleased to announce its second quarter ("Q2 2023") results for the three-month period ended June 30, 2023.

Second Quarter Highlights:

- Record quarterly average oil royalty production of 12,607 barrels per day, a 3% increase over Q1 2023 and Q2 2022 with total royalty production averaging 23,517 BOE per day.
- Revenues totaled \$117.4 million, 7% lower than Q1 2023 and 41% below Q2 2022, comprised of royalty production revenues of \$108.4 million and other revenues of \$9.0 million.
- Quarterly funds from operations of \$91.3 million (\$0.38 per common share, basic and diluted) were driven by oil royalty production growth and were 6% above Q1 2023 and 43% below Q2 2022.
- Declared a second quarter dividend of \$57.3 million (\$0.24 per common share), representing a payout ratio of 63%, with excess cash flow allocated to \$15.2 million of royalty acquisitions related primarily to exploration projects in the Mannville Stack and the balance to retiring bank debt.
- Net debt totaled \$275.9 million, down 39% or \$178.0 million from June 30, 2022 as excess funds from operations were used primarily to retire indebtedness.
- Maintained industry leadership "AAA" 2023 ESG Risk Rating.

President's Message

PrairieSky's oil royalty production volumes grew organically during the quarter reaching 12,607 barrels per day, a 3% increase over Q1 2023 and Q2 2022. Oil royalty production volume growth was focused in the Clearwater, Mannville Stack and Viking where third-party operators have been actively drilling oil targets and where PrairieSky has focused its acquisition strategy over the past several years. PrairieSky's Clearwater production continued its strong growth trajectory, averaging 1,800 BOE per day of royalty production in Q2 2023. Total royalty production averaged 23,517 BOE per day which was down 5% from Q1 2023 and 10% from Q2 2022 due primarily to the estimated 750 BOE per day impact of wildfires on natural gas volumes (2.5 MMcf per day), oil volumes (135 barrels per day) and NGL volumes (200 barrels per day) and a prior period adjustment which impacted natural gas and NGL volumes. Our thoughts are with those communities affected by the wildfires. PrairieSky made a donation to the Red Cross to support their efforts to help impacted communities.

There were 148 spuds on our royalty properties during the quarter as third-party drilling activity moderated in line with seasonal break-up. We anticipate the pace of capital activity to increase in Q3 2023 consistent with prior years. Leasing activity remained strong during the quarter generating \$5.7 million in lease bonus consideration from entering 39 leases with 37 counterparties. We also executed on \$15.2 million of acquisitions focused on the emerging Mannville Stack multi-lateral play which is attracting significant new exploration and development capital.

Increased oil royalty production, continued relative strength in WTI benchmark pricing and narrow heavy and light oil differentials along with \$9.0 million of other revenues combined to deliver quarterly funds from operations of \$91.3 million or \$0.38 per common share (basic and diluted). We remain insulated from direct inflationary pressures as we do not incur upstream capital costs related to exploration and development or operations which allowed us to generate an operating margin of 92%, which includes our cash administrative expense. PrairieSky declared dividends of \$57.3 million or \$0.24 per common share for shareholders of record on June 30, 2023, resulting in a payout ratio of 63%. Excess funds from operations after the dividend and royalty acquisitions were allocated to debt repayment reducing net debt to \$275.9 million at June 30, 2023.

It has been a strong first half of 2023 with organic growth in oil royalty production, leasing activity at multi-year highs and drilling activity across a diversity of plays and targets in our expansive portfolio. We would like to thank our staff for their hard work and shareholders for their support.

Andrew Phillips, President & CEO

Q2 2023 Financial Highlights

- Funds from operations totaled \$91.3 million or \$0.38 per common share (basic and diluted). This represents a 6% increase from Q1 2023 primarily due to increased oil royalty production and lower administrative expenses. Funds from operations decreased 43% from Q2 2022 due to weaker US WTI and AECO benchmark pricing combined with lower natural gas and NGL royalty production, partially offset by increased oil royalty volumes.
- Total royalty production volumes of 23,517 BOE per day generated royalty production revenue of \$108.4 million, a 7% decrease from Q1 2023 and a 43% decrease from Q2 2022. A further breakdown is as follows:
 - Oil royalty production volumes grew to 12,607 barrels per day, a 3% increase over Q1 2023 and Q2 2022. Third-party operators continued to target a number of plays across our royalty land base with the largest growth in production from our Clearwater, Mannville heavy oil and Viking plays where drilling activity has been strong. Production from new wells on stream more than offset the impact to royalty oil volumes from the Alberta wildfires which are estimated to be 135 barrels per day in the quarter.
 - Oil royalty revenue totaled \$89.6 million in Q2 2023, 7% higher than Q1 2023 primarily due to growth in oil royalty production volumes and a narrowed average heavy oil differential and 34% below Q2 2022 due to the decrease in average WTI pricing from US\$108.57 per barrel to US\$73.99 per barrel. Oil royalty revenues were reduced in the quarter by an estimated \$0.9 million due to the impact of the wildfires.
 - Natural gas royalty production volumes averaged 53.8 MMcf per day, 10% below Q1 2023 and 18% below Q2 2022. Natural gas royalty production was impacted by third-party operational downtime due to wildfires in Alberta. We estimate the impact on natural gas royalty production was 2.5 MMcf per day in the quarter. Natural gas royalty production was also negatively impacted by a prior period overpayment of 4.5 MMcf per day.
 - Natural gas royalty revenue decreased 50% from Q1 2023 to \$10.9 million and 70% from Q2 2022 due to lower royalty production volumes and weaker AECO natural gas index pricing with daily AECO averaging \$2.45 per Mcf in the quarter, down from \$3.22 per Mcf in Q1 2023 and \$7.24 per Mcf in Q2 2022. The estimated natural gas royalty revenue impact related to the wildfires and the prior period adjustment was \$0.4 million and \$0.4 million, respectively.
 - NGL royalty production volumes averaged 1,943 barrels per day, 27% below Q1 2023 and 30% below Q2 2022 due to the impact of the Alberta wildfires which resulted in an estimated 200 barrels per day of royalty production being temporarily shut in. In addition, royalty production volumes were impacted by 370 barrels per day from a prior period overpayment.
 - NGL royalty revenue totaled \$7.9 million in the quarter, 29% below Q1 2023 and 56% below Q2 2022, due to lower NGL royalty production volumes and weaker benchmark pricing. The estimated NGL royalty revenue impact related to the wildfires and the prior period adjustment was \$0.5 million and \$1.6 million, respectively.
- Other revenue totaled \$9.0 million in Q2 2023 comprised of \$2.6 million of lease rentals and \$0.7 million in other income, including \$0.6 million of Potash royalty revenue. In addition, PrairieSky earned \$5.7 million in bonus consideration from 39 new leasing arrangements with 37 different counterparties.
- During the quarter, cash administrative expenses totaled \$7.2 million or \$3.36 per BOE, down 56% on a per BOE basis from Q1 2023 and 53% above Q2 2022. Included in cash administrative expenses is the deferred share unit payment of \$1.4 million to a director who was not nominated for re-election at the April 2023 annual general meeting.
- PrairieSky declared a second quarter dividend of \$57.3 million (\$0.24 per common share), representing a 63% payout ratio, with remaining funds from operations allocated to royalty acquisitions and reducing bank debt.
- At June 30, 2023, PrairieSky's net debt balance totaled \$275.9 million, a decrease of \$178.0 million (39%) from June 30, 2022.

ACTIVITY ON PRAIRIESKY'S ROYALTY PROPERTIES

Annually, seasonal spring break-up results in a slow down in third-party capital activity in Western Canada as melting snow and frost cause the ground to become soft and muddy leading to ensuing road bans and limiting lease access. During Q2 2023, there were 148 wells spud (93% oil) on PrairieSky lands, including 90

wells spud on our GORR acreage, 54 wells spud on our Fee Lands and 4 unit wells spud. There were 137 oil wells spud in Q2 2023 including 43 Viking wells, 33 Clearwater wells, 32 Mannville heavy and light oil wells, 8 Duvernay wells, 6 Mississippian wells, 5 Mannville heavy oil wells at Lindbergh, and 10 additional spuds in the Bakken, Belly River, Charlie Lake, Doig, Devonian, Jurassic and Nisku formations. There were 11 Montney natural gas wells spud in Q2 2023. PrairieSky's average royalty rate for wells spud in Q2 2023 was 5.8% (Q2 2022 - 7.2%), which reflects an increase in drilling on GORR acreage including recently acquired royalties under land funds.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

MSCI MAINTAINS "AAA" ESG RATING

PrairieSky maintained our "AAA" MSCI ESG Risk Rating for 2023, which is "Leader" status and a 10/10 ESG Controversies Score, denoting nil controversies. PrairieSky's MSCI AAA status highlights PrairieSky's positioning relative to industry peers on multiple key issues such as human capital development, community relations and governance.

MSCI is a leading provider of critical decision support tools and services for the global investment community, enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. The MSCI ESG Risk Ratings cover over 8,500 companies (14,000 issuers including subsidiaries) and more than 680,000 equity and fixed income securities globally, are used by over 1,400 investors worldwide, and form the basis of MSCI's 1,500 equity and fixed income ESG indexes. More information is available at www.msci.com.

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes select operational and financial information of the Company for the periods noted. All dollar amounts are stated in Canadian dollars unless otherwise noted.

A full version of PrairieSky's management's discussion and analysis ("MD&A") and unaudited interim condensed consolidated financial statements and notes thereto for the fiscal period ended June 30, 2023 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

(millions, except per share or as otherwise noted)	Three months ended		Six months ended		
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
FINANCIAL					
Revenues	\$ 117.4	\$ 126.1	\$ 198.9	\$ 243.5	\$ 330.1
Funds from Operations	91.3	86.3	159.6	177.6	260.1
Per Share - basic and diluted ⁽¹⁾	0.38	0.36	0.67	0.74	1.1
Net Earnings	48.0	56.8	110.1	104.8	170.1
Per Share - basic and diluted ⁽¹⁾	0.20	0.24	0.46	0.44	0.7
Dividends declared ⁽²⁾	57.3	57.3	28.7	114.6	57.3
Per Share	0.24	0.24	0.12	0.48	0.2
Acquisitions	15.2	5.4	15.6	20.6	21.1
Net debt at period end ⁽³⁾	275.9	292.4	453.9	275.9	453.9
Shares Outstanding					
Shares outstanding at period end	238.9	238.9	238.8	238.9	238.9
Weighted average - basic	238.9	238.9	238.8	238.9	238.9
Weighted average - diluted	238.9	238.9	239.1	238.9	238.9
OPERATIONAL					
Royalty Production Volumes					
Crude Oil (bbls/d)	12,607	12,212	12,220	12,411	11,911
NGL (bbls/d)	1,943	2,664	2,772	2,302	2,664

Natural Gas (MMcf/d)	53.8	59.6	66.0	56.7	63.0
Royalty Production (BOE/d) ⁽⁴⁾	23,517	24,809	25,992	24,163	24,163
Realized Pricing					
Crude Oil (\$/bbl)	78.05	76.25	122.07	77.17	111.00
NGL (\$/bbl)	44.77	46.71	70.25	45.89	63.00
Natural Gas (\$/Mcf)	2.23	4.05	6.14	3.19	5.20
Total (\$/BOE) ⁽⁴⁾	50.65	52.31	80.44	51.49	71.00
Operating Netback per BOE ⁽⁵⁾	46.64	43.80	77.69	45.18	67.00
Funds from Operations per BOE	42.66	38.65	67.48	40.61	58.00
Oil Price Benchmarks					
Western Texas Intermediate (WTI) (US\$/bbl)	73.99	76.13	108.57	75.06	100.00
Edmonton Light Sweet (\$/bbl)	95.32	99.04	138.18	97.18	120.00
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(15.07)	(24.78)	(12.80)	(19.92)	(13.00)
Natural Gas Price Benchmarks					
AECO monthly index (\$/Mcf)	2.35	4.34	6.27	3.34	5.40
AECO daily index (\$/Mcf)	2.45	3.22	7.24	2.83	5.90
Foreign Exchange Rate (US\$/CAD\$)	0.7454	0.7397	0.7820	0.7425	0.7400

(1) Net Earnings and Funds from Operations per Share are calculated using the weighted average number of basic and diluted common shares outstanding.

(2) A dividend of \$0.24 per common share was declared on June 6, 2023. The dividend was paid on July 17, 2023 to shareholders of record as at June 30, 2023.

(3) See Note 14 "Capital Management" in the interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022.

(4) See "Conversions of Natural Gas to BOE".

(5) Operating Netback per BOE is defined under the Non-GAAP Measures and Ratios section of this press release.

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, July 18, 2023, beginning at 6:30 a.m. MDT (8:30 a.m. EDT). To participate in the conference call, you are asked to register at the link provided below. Details regarding the call will be provided to you upon registration.

Live call participants registration

URL: <https://register.vevent.com/register/BI525233904f7e40dc928896aac02aa1ad>

FORWARD-LOOKING STATEMENTS

This press release includes certain statements regarding PrairieSky's future plans and operations and contains forward-looking statements that we believe allow readers to better understand our business and prospects. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. Forward-looking statements contained in this press release include estimates regarding our expectations with respect to PrairieSky's business and growth strategy; estimated impact of the Alberta wildfires on royalty production volumes and royalty revenues; future growth from PrairieSky's existing royalty asset portfolio, including but not limited to the Clearwater oil play, and contributions from acquisitions; the quality of PrairieSky's existing royalty asset portfolio; leasing and licensing inventory being a leading indicator for third-party drilling and exploration on our royalty asset portfolio and expectations for the pace of third-party drilling activity to increase in Q3 2023 due in part to leasing and licensing activity.

With respect to forward-looking statements contained in this press release, we have made several assumptions including those described in detail in our MD&A and the Annual Information Form for the year ended December 31, 2022. Readers and investors are cautioned that the assumptions used in the preparation of such forward-looking information and statements, although considered reasonable at the time

of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions including inflation, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, the effects of inclement and severe weather events and natural disasters, including fire, drought and flooding, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, political and geopolitical instability and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to the potential for disputes to arise with counterparties, and limited ability to recover indemnification under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's MD&A, and the Annual Information Form for the year ended December 31, 2022 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedar.com and PrairieSky's website at www.prairiesky.com.

Further, any forward-looking statement is made only as of the date of this press release, and PrairieSky undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for PrairieSky to predict all of these factors or to assess in advance the impact of each such factor on PrairieSky's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking information contained in this document is expressly qualified by this cautionary statement.

CONVERSIONS OF NATURAL GAS TO BOE

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). PrairieSky uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

NON-GAAP MEASURES AND RATIOS

Certain measures and ratios in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures and ratios. These measures and ratios may not be comparable to similar measures and ratios presented by other issuers. These measures and ratios are commonly used in the crude oil and natural gas industry and by PrairieSky to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to conduct its business. Non-GAAP measures and ratios include operating netback per BOE, operating margin, payout ratio, cash administrative expenses and cash administrative expenses per BOE. Management's use of these measures and ratios is discussed further below. Further information can be found in the Non-GAAP Measures and Ratios section of PrairieSky's MD&A.

"Operating Netback per BOE" represents the cash margin for products sold on a BOE basis. Operating netback per BOE is calculated by dividing the operating netback (royalty production revenues less production and mineral taxes and cash administrative expenses) by the average daily production volumes for the period. Operating netback per BOE is used to assess the cash generating and operating performance per unit of product sold and the comparability of the underlying performance between years. Operating netback per BOE measures are commonly used in the crude oil and natural gas industry to assess performance comparability.

"Operating Margin" represents operating netback (royalty production revenues less production and mineral taxes and cash administrative expenses) as a percentage of royalty production revenues. Management uses this measure to demonstrate the comparability between the Company and production and exploration companies in the crude oil and natural gas industry as it shows net revenue generation from operations.

"Payout Ratio" is calculated as dividends declared as a percentage of funds from operations. Payout ratio is used by dividend paying companies to assess dividend levels in relation to the funds generated and used in operating activities.

"Cash Administrative Expenses" represent administrative expenses excluding the volatility and fluctuations in share-based compensation expense for RSUs, PSUs, ODSUs and DSUs and stock options that were not settled in cash in the current period. Cash administrative expenses are calculated as total administrative expenses, adjusting for share-based compensation expense in the period, plus any actual cash payments made under the RSU, PSU, ODSU or DSU plans. Management believes cash administrative expenses are a common benchmark used by investors when comparing companies to evaluate operating performance.

"Cash Administrative Expenses per BOE" represents cash administrative expenses on a BOE basis and is calculated by dividing cash administrative expenses by the average daily production volumes for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis.

Cash Administrative Expenses

The following table presents the computation of cash administrative expenses:

(\$ millions)	Three Months Ended			Six Months Ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Total Administrative Expenses	\$ 13.0	\$ 10.9	\$ 7.0	\$ 23.9	\$ 22.0
Share-Based Compensation Expense	(7.2)	(4.6)	(1.8)	(11.8)	(11.5)
Cash Payments Made - Share Unit Awards	1.4	10.9	-	12.3	5.0
Cash Administrative Expenses	\$ 7.2	\$ 17.2	\$ 5.2	\$ 24.4	\$ 15.5

ABOUT PRAIRIESKY ROYALTY LTD.

PrairieSky is a royalty company, generating royalty production revenues as petroleum and natural gas are produced from its properties. PrairieSky has a diverse portfolio of properties that have a long history of generating funds from operations and that represent the largest and most consolidated independently-owned fee simple mineral title position in Canada. PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.

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PDF available: <http://ml.globenewswire.com/Resource/Download/0e8d2f66-6276-4fc2-87bd-14466aa94a7e>

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