



PRAIRIESKY ANNOUNCES 2020 SECOND QUARTER RESULTS; PUBLISHES ANNUAL RESPONSIBILITY REPORT

Calgary, Alberta (July 20, 2020)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its second quarter ("**Q2 2020**") operating and financial results for the period ended June 30, 2020.

Second Quarter 2020 Highlights:

- Revenues totaled \$28.2 million, comprised of royalty production revenues of \$25.1 million and other revenues of \$3.1 million.
- Funds from Operations totaled \$21.3 million (\$0.09 per common share basic and diluted).
- Royalty production averaged 18,671 BOE per day (46% liquids).
- Second quarter dividends declared of \$13.9 million (\$0.06 per share), representing a payout ratio of 65%.
- Common share repurchases of \$4.1 million under the normal course issuer bid ("**NCIB**").
- Acquired additional royalty interests for \$6.2 million, primarily focused in the Montney in Northeast British Columbia.

PRESIDENT'S MESSAGE

PrairieSky's diversified oil and gas royalty portfolio generated funds from operations of \$21.3 million for the second quarter of 2020, demonstrating the sustainability of our high margin, low cost business model in a challenging macro environment. In Q2 2020, PrairieSky used funds from operations to declare dividends of \$13.9 million, repurchase and cancel 470,000 common shares for \$4.1 million, and acquire additional high-quality royalty interests, primarily focused in British Columbia, for \$6.2 million. The acquired royalty interests are complementary to PrairieSky's existing assets in the area and include significant undeveloped land with future multi-zonal drilling potential. We remained committed to our strategy of financial discipline by maintaining a strong balance sheet with no long-term debt and a minor working capital deficiency of \$8.7 million as at June 30, 2020.

During Q2 2020, the global economy was significantly impacted by large scale restrictions aimed at containing the spread of the novel coronavirus ("COVID-19"). Global consumption of and demand for hydrocarbons declined significantly, causing global energy industry participants to experience unprecedented volatility and instability in benchmark commodity prices as well as concerns over access to storage and marketing arrangements more broadly. In conjunction with the annual slowdown in activity due to spring breakup, producers and operators across Western Canada responded to low pricing and concerns over future market access by shutting in production and minimizing exploration and development activity. During Q2 2020, producers on PrairieSky lands shut-in approximately 30 per cent of PrairieSky's net oil production volumes in response to volatile crude oil pricing with shut-ins peaking in May at over 40%, primarily led by private producers. As prices have started to recover modestly, some volumes have been brought back on production and we expect additional volumes to be brought back on in Q3 2020, although the timing thereof remains unclear and new drilling activity remains limited with only 18 rigs working in Western Canada on June 30, 2020.

PrairieSky received royalty production volumes of 18,671 BOE per day in Q2 2020, down 16% from both Q1 2020 and Q2 2019. Q2 2020 royalty production volumes generated revenue of \$25.1 million, a

decrease of 49% compared to Q1 2020 and 60% compared to Q2 2019 due primarily to significantly lower pricing as discussed throughout this press release and PrairieSky's Q2 2020 financial statements and associated Management's Discussion & Analysis ("MD&A"). During Q2 2020, oil royalty production volumes averaged 6,035 barrels per day (Q1 2020 - 8,582 barrels per day, Q2 2019 - 8,740 barrels per day). Oil royalty production volumes generated \$13.4 million of royalty revenue down from Q1 2020 oil royalty revenue of \$33.0 million due to lower royalty production volumes and a 40% decrease in average West Texas Intermediate ("WTI") benchmark pricing, partially offset by narrowed Canadian light and heavy oil differentials, and down from Q2 2019 oil royalty revenue of \$52.1 million due to lower royalty production volumes and a 53% decrease in WTI. During Q2 2020, natural gas royalty production volumes averaged 60.3 MMcf per day (Q1 2020 - 63.8 MMcf per day, Q2 2019 - 65.2 MMcf per day) and generated \$7.6 million of royalty revenue compared to Q1 2020 natural gas royalty revenue of \$9.1 million and \$4.5 million in Q2 2019 as AECO monthly index benchmark pricing decreased 11% from Q1 2020 and increased 63% from Q2 2019 due to changes in the NGTL system Temporary Service Protocol. NGL royalty revenue for Q2 2020 totaled \$4.1 million, generated from average royalty production volumes of 2,586 barrels per day, a decrease from both Q1 2020 NGL royalty revenue of \$7.0 million from average NGL royalty production volumes of 2,945 barrels per day and Q2 2019 NGL royalty revenue of \$6.5 million from average NGL royalty production volumes of 2,690 barrels per day. The decline in NGL royalty revenue from Q1 2020 and Q2 2019 was primarily due to lower benchmark pricing.

Other revenue in the quarter totaled \$3.1 million (Q1 2020 - \$3.6 million, Q2 2019 - \$6.2 million), comprised of \$2.2 million of lease rentals, \$0.2 million in other income, and \$0.7 million in bonus consideration from entering into 19 new leases with 17 different counterparties. Leasing was focused on crude oil targets across a number of plays in both Alberta and Saskatchewan.

We continue to manage controllable costs in our business and cash administrative expenses totaled \$4.0 million and \$2.35 per BOE in the quarter. PrairieSky's staff continued their focus on ensuring timely and accurate royalty payments, collecting compliance recoveries totaling \$2.2 million in the quarter.

At PrairieSky, we focus a great deal on the sustainability of our business model, which includes identifying opportunities for continuous improvement which benefit stakeholders over the long term. Environmental, social and governance principles are an integral part of our corporate strategy and we were pleased to issue our Annual Responsibility Report during the quarter which can be found at <https://www.prairiesky.com/responsibility/our-approach/>. Our website also includes more detailed information on Company sustainability performance year over year, rankings in leading surveys such as CDP and MSCI, as well as independent third-party assurance on key performance indicators and greenhouse gas emissions.

We continue to focus our efforts on improving PrairieSky's business, on a per share basis, through all market conditions. During this challenging and unprecedented time, we continue to be disciplined and focused on our strategy, which includes prioritizing the health and safety of our employees and our community. We transitioned our workforce to work remotely in March with minimal disruption, and as restrictions have eased through June, a portion of our team has returned to the office. We continue to monitor the situation related to COVID-19 and will follow the advice of public health officials in supporting our employees, their families, our business partners, and our broader community. We appreciate the continued efforts of our team and we want to thank our shareholders for their ongoing support. Please contact Pam Kazeil, our Chief Financial Officer, at 587-293-4089 or myself at 587-293-4005 with any questions.

Andrew Phillips, President & CEO

ANNUAL RESPONSIBILITY REPORT

We are pleased to issue our Annual Responsibility Report for the 2019 fiscal year, which can be found on our website at <https://www.prairiesky.com/responsibility/our-approach/>. This annual report details PrairieSky's approach to sustainability and corporate responsibility, including our social, governance and environmental goals and performance. We believe long-term value can only be achieved through responsible business practices which are embedded throughout the organization and our strategy. We have an engaged and dedicated team at PrairieSky, all of whom are owners in the business, that work to create value for shareholders every day. We are committed to gender and ethnic diversity, and we are proud to have female leadership at the Board, Executive and Senior Management levels, with a workforce that is 73% women, including 80% of our managers.

Our website also includes more detailed information on Company sustainability performance year over year, rankings in leading surveys such as CDP and MSCI, as well as independent third-party assurance on key performance indicators and greenhouse gas emissions.

Our role as a pure-play royalty company in the energy industry affords us a unique position when it comes to environmental impacts as we do not directly undertake exploration or development operations. These activities are conducted by the operators with whom we have entered into leases and contracts. Although we have very limited, direct impact on the environment, we are committed to fostering the safe and responsible development of resources and to reducing our environmental footprint over time. For 2019, PrairieSky purchased green credits to reduce the Company's scope 1 and scope 2 emissions to net zero. For further information, please see PrairieSky's Annual Responsibility Report for the 2019 fiscal year and our independent third-party assurance statement on key performance indicators and greenhouse gas emissions, both of which can be found at: <https://www.prairiesky.com/responsibility/our-approach/>.

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes selected 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 MD&A and unaudited interim condensed Consolidated Financial Statements and notes thereto for the fiscal period ended June 30, 2020 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
FINANCIAL				
Revenues	\$ 28.2	\$ 69.3	\$ 80.9	\$ 142.5
Funds from Operations	21.3	58.0	67.8	115.8
Per Share – basic ⁽¹⁾	0.09	0.25	0.29	0.50
Per Share –diluted ⁽¹⁾	0.09	0.24	0.29	0.49
Net Earnings (Loss)	(0.4)	44.0	8.2	70.4
Per Share - basic and diluted ⁽¹⁾	(0.00)	0.19	0.04	0.30
Dividends declared ⁽²⁾	13.9	45.6	59.3	91.2
Per Share	0.0600	0.1950	0.2550	0.3900
Acquisitions, including non-cash consideration	6.2	1.0	6.7	2.6
Working Capital (Deficiency) at period end	(8.7)	(2.1)	(8.7)	(2.1)
Shares Outstanding				
Shares outstanding at period end	232.2	233.5	232.2	233.5
Weighted average – basic	232.5	233.7	232.7	233.9
Weighted average – diluted	232.5	234.0	233.2	234.1
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	6,035	8,740	7,309	8,822
NGL (bbls/d)	2,586	2,690	2,765	2,638
Natural Gas (MMcf/d)	60.3	65.2	62.0	64.2
Total (BOE/d) ⁽³⁾	18,671	22,297	20,407	22,160
Realized Pricing				
Crude Oil (\$/bbl)	\$ 24.31	65.48	\$ 34.87	\$ 61.60
NGL (\$/bbl)	17.63	26.64	22.14	32.67
Natural Gas (\$/Mcf)	1.39	0.74	1.48	1.34
Total (\$/BOE) ⁽³⁾	\$ 14.77	31.10	\$ 19.98	\$ 32.31
Operating Netback per BOE⁽⁴⁾	\$ 11.95	\$ 27.21	\$ 17.13	\$ 28.32
Funds from Operations per BOE	\$ 12.53	\$ 28.59	\$ 18.25	\$ 28.87
Oil Price Benchmarks				
Western Texas Intermediate (WTI) (US\$/bbl)	\$ 27.85	59.81	\$ 37.01	\$ 57.36
Edmonton Light Sweet (\$/bbl)	\$ 29.85	73.84	\$ 40.65	\$ 70.19
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ (11.47)	(10.67)	\$ (16.00)	\$ (11.48)
Foreign Exchange Rate (US\$/CAD\$)	0.7219	0.7476	0.7334	0.7505
Natural Gas Price Benchmarks				
AECO monthly index (\$/Mcf)	\$ 1.91	1.17	\$ 2.03	\$ 1.56
AECO daily index (\$/Mcf)	\$ 1.99	1.04	\$ 2.01	\$ 1.83

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

(2) A dividend of \$0.06 per common share was declared on June 10, 2020. The dividend was paid on July 15, 2020 to shareholders of record as at June 30, 2020.

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

(4) A non-GAAP measure which is defined under the Non-GAAP Measures section in the MD&A.

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, July 21, 2020 beginning at 6:30 a.m. MDT (8:30 a.m. EDT). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial:

(844) 657-2668 (toll free in North America)
(612) 979-9882 (International)
Conference ID: 9457468

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, the amount of royalty production shut-in and the timing of when that production will resume, improvement in the business in the near, medium and long term, future collections from compliance activities and future activity on PrairieSky's lands.

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 period ended December 31, 2019. 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, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, 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, 2019 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

Certain measures in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures 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 include operating netback per BOE, payout ratio and cash administrative expenses per BOE. Management's use of these measures is discussed further below. Further information can be found in the Non-GAAP Measures 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 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.

"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" represents administrative expenses excluding the volatility and fluctuations in share-based compensation expense for RSUs, PSUs 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 (recovery) in the period, plus any actual cash payments made under the RSU, PSU 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. Cash administrative expenses per BOE 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:

<i>(millions)</i>	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Total Administrative Expenses	\$ 5.1	\$ 7.2	\$ 9.6	\$ 13.9
Share-Based Compensation Expense	(1.1)	(2.3)	(0.3)	(3.6)
Cash Payments made under RSU and PSU Plans ⁽¹⁾	-	-	1.7	2.2
Cash Administrative Expenses	\$ 4.0	\$ 4.9	\$ 11.0	\$ 12.5

⁽¹⁾ See PrairieSky's MD&A for details on its share-based compensation plans.

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.

FOR FURTHER INFORMATION PLEASE

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