



## PRAIRIESKY ANNOUNCES 2020 THIRD QUARTER RESULTS

Calgary, Alberta (October 26, 2020)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its third quarter ("**Q3 2020**") operating and financial results for the period ended September 30, 2020.

### Third Quarter 2020 Highlights:

- Revenues increased 54% to \$43.5 million, comprised of royalty production revenues of \$38.4 million and other revenues of \$5.1 million, compared to Q2 2020.
- Funds from Operations increased 78% quarter over quarter to \$37.9 million (\$0.16 per common share basic and diluted).
- Royalty production averaged 18,745 BOE per day (48% liquids) with oil production increasing 9% from Q2 2020.
- Repurchased and cancelled 8.9 million common shares under the normal course issuer bid ("**NCIB**"), representing 4% of the issued and outstanding shares.
- Declared a third quarter dividend of \$13.4 million (\$0.06 per common share), representing a payout ratio of 35%.

### PRESIDENT'S MESSAGE

PrairieSky's Q3 2020 results demonstrate the resiliency of our high margin, low cost royalty model with funds from operations of \$37.9 million, an increase of 78% compared to Q2 2020. Our diversified portfolio of royalty assets, numerous ongoing secondary and tertiary recovery schemes, and the early stage nature of the Clearwater and Duvernay oil plays will provide PrairieSky owners with long-term growth as capital returns to Western Canada, without the need for future acquisitions or equity issuances. We continue to review only those acquisition opportunities that have the potential to improve our business per share and enhance our existing high-quality portfolio of royalty assets. In Q3 2020, PrairieSky accelerated the NCIB, acquiring and cancelling 8.9 million common shares for \$81.8 million, representing approximately 4% of the outstanding common shares. Share purchases were funded from cash flows above the quarterly dividend, and by drawing down on PrairieSky's available credit facility, which PrairieSky expects to pay down in less than nine months. There are now 223.3 million common shares outstanding.

Exploration and development activity improved throughout the quarter, with 18 rigs working in Western Canada at the beginning of Q3 2020 and increasing to 73 rigs at September 30, 2020. There were 44 wells spud (93% oil) on PrairieSky lands during the quarter with a focus on Viking, Bakken and Leduc units (18 wells), as well as 12 new Viking wells and six new wells in the Clearwater oil play. In addition, three Spirit River natural gas wells were spud in Q3 2020. Rig counts have continued to increase in the early stages of Q4 2020, with approximately 85 rigs currently working in Western Canada.

PrairieSky's Q3 2020 total royalty production volumes increased modestly to 18,745 BOE per day, generating royalty production revenue of \$38.4 million, an increase of 53% compared to Q2 2020. Oil royalty production volumes averaged 6,572 barrels per day, an increase of 9% over Q2 2020 oil royalty production volumes of 6,035 barrels per day as producers started to bring previously shut-in production back on throughout the quarter. Oil royalty revenue totaled \$24.8 million, an 85% increase over Q2 2020 primarily due to improved production, more stable average West Texas Intermediate ("**WTI**") benchmark pricing and narrowed Canadian light and heavy oil differentials. Natural gas royalty production volumes averaged 58.2 MMcf per day (Q2 2020 - 60.3 MMcf per day) and generated \$8.7 million of royalty

revenue, an increase of 14% compared to Q2 2020 due to stronger average AECO index benchmark pricing through the quarter. NGL royalty revenue totaled \$4.9 million, an increase of 20% compared to Q2 2020 primarily as a result of improved pricing, partially offset by a modest 4% decrease in production volumes to 2,473 barrels per day in Q3 2020.

Other revenue improved in Q3 2020, totaling \$5.1 million (Q2 2020 - \$3.1 million) comprised of \$1.2 million of lease rentals, \$2.1 million in other income and \$1.8 million in bonus consideration. During the quarter, PrairieSky entered into 15 new leases with 15 different counterparties on both oil and natural gas plays across Alberta and Saskatchewan.

Cash administrative expenses totaled \$3.5 million or \$2.03 per BOE in the quarter. We are committed to managing controllable costs in our business and expect cash administrative expenses to remain well below \$3.00 per BOE in 2020. PrairieSky's staff continued their focus on ensuring timely and accurate royalty payments, collecting compliance recoveries totaling \$1.0 million in the quarter bringing year to date compliance recoveries to \$5.0 million.

As we look towards 2021, our organization is working hard on the third PrairieSky Royalty Playbook ahead of our Investor Day in May, as well as our fourth annual ESG report. We expect both of these documents to highlight the unique attributes of our long duration, capital free, high margin business model, which was recently recognized by Sustainalytics as the #1 ranked company in their Oil and Gas ESG Risk Ratings.

The health and safety of our employees and community are our priority and we continue to monitor the situation related to COVID-19 and follow the advice of public health officials. While the majority of the staff have returned to the office environment under stringent health and safety protocols, we continue to support staff who are working remotely away from the office. Our investment in technology and systems over a number of years has allowed us to effectively manage a hybrid workforce through the COVID-19 pandemic without interruption while ensuring the safety and well-being of our staff. 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

## **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 MD&A and unaudited interim condensed Consolidated Financial Statements and notes thereto for the fiscal period ended September 30, 2020 is available on SEDAR at [www.sedar.com](http://www.sedar.com) and PrairieSky's website at [www.prairiesky.com](http://www.prairiesky.com).

(millions, except per share or as otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>FINANCIAL</b>				
Revenues	\$ 43.5	\$ 58.8	\$ 124.4	\$ 201.3
<b>Funds from Operations</b>	<b>37.9</b>	48.8	<b>105.7</b>	164.6
Per Share – basic and diluted <sup>(1)</sup>	<b>0.16</b>	0.21	<b>0.46</b>	0.70
<b>Net Earnings</b>	<b>9.4</b>	16.7	<b>17.6</b>	87.1
Per Share - basic and diluted <sup>(1)</sup>	<b>0.04</b>	0.07	<b>0.08</b>	0.37
Dividends declared <sup>(2)</sup>	<b>13.4</b>	45.5	<b>72.7</b>	136.7
Per Share	<b>0.0600</b>	0.1950	<b>0.3150</b>	0.5850
Common share repurchases	<b>81.8</b>	4.2	<b>90.9</b>	16.2
Acquisitions, including non-cash consideration	-	5.2	<b>6.7</b>	7.8
Working Capital (Deficiency) at period end	<b>(66.2)</b>	(7.4)	<b>(66.2)</b>	(7.4)
<b>Shares Outstanding</b>				
Shares outstanding at period end	<b>223.3</b>	233.3	<b>223.3</b>	233.3
Weighted average – basic	<b>229.8</b>	233.4	<b>231.7</b>	233.7
Weighted average – diluted	<b>230.2</b>	233.8	<b>232.2</b>	234.1
<b>OPERATIONAL</b>				
<b>Royalty Production Volumes</b>				
Crude Oil (bbls/d)	<b>6,572</b>	8,011	<b>7,061</b>	8,548
NGL (bbls/d)	<b>2,473</b>	2,334	<b>2,667</b>	2,536
Natural Gas (MMcf/d)	<b>58.2</b>	61.0	<b>60.7</b>	63.1
Royalty Production (BOE/d) <sup>(3)</sup>	<b>18,745</b>	20,512	<b>19,845</b>	21,601
<b>Realized Pricing</b>				
Crude Oil (\$/bbl)	\$ 41.11	\$ 59.04	\$ 36.82	\$ 60.79
NGL (\$/bbl)	21.43	20.23	21.92	28.81
Natural Gas (\$/Mcf)	1.62	0.72	1.52	1.14
Total (\$/BOE) <sup>(3)</sup>	\$ 22.27	\$ 27.50	\$ 20.71	\$ 30.78
<b>Operating Netback per BOE<sup>(4)</sup></b>	<b>\$ 19.54</b>	\$ 23.31	<b>\$ 17.90</b>	\$ 26.73
<b>Funds from Operations per BOE</b>	<b>\$ 21.98</b>	\$ 25.86	<b>\$ 19.44</b>	\$ 27.91
<b>Oil Price Benchmarks</b>				
Western Texas Intermediate (WTI) (US\$/bbl)	\$ 40.93	\$ 56.50	\$ 38.32	\$ 57.07
Edmonton Light Sweet (\$/bbl)	\$ 49.80	\$ 68.48	\$ 43.70	\$ 69.62
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ (9.09)	\$ (12.24)	\$ (13.69)	\$ (11.74)
<b>Foreign Exchange Rate (US\$/CAD\$)</b>	<b>0.7511</b>	0.7564	<b>0.7393</b>	0.7525
<b>Natural Gas Price Benchmarks</b>				
AECO monthly index (\$/Mcf)	\$ 2.15	\$ 1.05	\$ 2.07	\$ 1.39
AECO daily index (\$/Mcf)	\$ 2.27	\$ 0.89	\$ 2.10	\$ 1.52

(1) Net Earnings 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 September 9, 2020. The dividend was paid on October 15, 2020 to shareholders of record as at September 30, 2020.

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

(4) Operating Netback per BOE 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, October 27, 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: 3539308**

## 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, future growth from PrairieSky's existing royalty asset portfolio, the quality of PrairieSky's existing royalty asset portfolio, the timing of repaying amounts drawn under PrairieSky's existing credit facility, 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, expectations regarding cash administrative expenses per BOE through the balance of 2020, 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](http://www.sedar.com) and PrairieSky's website at [www.prairiesky.com](http://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, 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 (recovery) 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. 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:

(millions)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Total Administrative Expenses	\$ 4.1	\$ 6.7	\$ 13.7	\$ 20.6
Share-Based Compensation Expense	(0.6)	(2.0)	(0.9)	(5.6)
Cash Payments made under RSU and PSU Plans <sup>(1)</sup>	-	-	1.7	2.2
Cash Administrative Expenses	\$ 3.5	\$ 4.7	\$ 14.5	\$ 17.2

<sup>(1)</sup> 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 CONTACT:

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