

PRAIRIESKY ANNOUNCES FOURTH QUARTER AND YEAR-END RESULTS FOR 2023, INCLUDING RECORD OIL ROYALTY PRODUCTION, STRONG LEASING ACTIVITY AND INCREASED ANNUAL DIVIDEND

Calgary, Alberta (February 12, 2024)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its fourth quarter ("**Q4 2023**") and year-end operating and financial results for the period ended December 31, 2023. PrairieSky is also pleased to announce a 4% increase in its annual dividend to \$1.00 per common share (\$0.25 per common share quarterly).

Fourth Quarter Highlights

- Quarterly average royalty production volumes of 25,608 BOE per day, which included record oil royalty production volumes of 12,844 barrels per day.
- Quarterly revenues totaled \$136.6 million, comprised of royalty production revenues of \$122.0 million and other revenues of \$14.6 million, including bonus consideration of \$11.2 million, the highest quarterly bonus earned since 2017.
- Quarterly funds from operations of \$111.1 million (\$0.46 per share basic and diluted) generated primarily from robust organic oil royalty production growth and strong bonus consideration earned on active third-party leasing.
- Completed acquisitions of producing and non-producing royalty interests, as well as incremental seismic data, for aggregate cash consideration of \$22.2 million.
- Declared a fourth quarter dividend of \$57.3 million (\$0.24 per share), representing a 52% quarterly payout ratio.

Annual Highlights

- Royalty production volumes averaged 24,857 BOE per day, flat with 2022 annual average royalty production volumes and comprised of 59.5 MMcf per day of natural gas, 2,502 barrels per day of natural gas liquids ("**NGL**") and a record 12,438 barrels per day of oil.
- Annual revenues totaled \$513.2 million comprised of:
 - Royalty production revenue of \$474.6 million, a decrease of 23% from 2022 primarily due to lower benchmark commodity prices; and
 - Other revenue of \$38.6 million, including \$26.0 million of bonus consideration earned on entering into 202 new leasing arrangements with 110 separate counterparties.
- Annual funds from operations totaled \$382.5 million (\$1.60 per share basic and diluted), driven by organic production growth in oil royalty volumes combined with strong bonus consideration earned on active leasing to third-party operators.
- Proved plus probable reserves totaled 65,762 MBOE with a before-tax net present value, discounted at 10%, of \$1.84 billion, a decrease of 5% from December 31, 2022 primarily due to lower near-term natural gas and NGL commodity price assumptions.
- Declared cumulative annual dividends of \$229.2 million (\$0.96 per share), representing an annual payout ratio of 60%.
- At December 31, 2023, net debt totaled \$222.1 million, a decrease of 30% from December 31, 2022 net debt of \$315.1 million, as excess funds from operations after payment of the dividend and royalty acquisitions were used to retire bank debt.

Dividend Increase

- PrairieSky is pleased to announce a 4% increase in its annual dividend to \$1.00 per common share, to be paid on a quarterly basis (\$0.25 per common share quarterly), effective for the March 29, 2024 record date.

Sustainability Highlights

- Maintained "Negligible Risk" ESG Risk Rating and received "2024 ESG Global 50 Top-Rated Badge" awarded to the top 50 ranked companies in Sustainalytics ESG Risk Ratings universe which covers more than 14,000 companies across 42 industries.
- Maintained AAA ESG Risk Rating from MSCI, measuring resilience to long-term, industry material ESG risks.
- Included in the S&P's Global Sustainability Yearbook 2024 based on top 15% performance in the S&P's Global 2023 Corporate Sustainability Assessment which evaluated over 9,400 companies globally.

Leadership Update

- PrairieSky is pleased to announce the appointment of Michael Murphy as Vice-President, Geosciences and Capital Markets. Mr. Murphy is a professional geologist with 19 years of experience in the oil and gas industry and equity research.

President's Message

An active fourth quarter of leasing activity capped off another strong year in 2023. PrairieSky entered into 50 leasing arrangements in the quarter earning bonus consideration of \$11.2 million, primarily from leasing of Duvernay rights, the highest quarterly bonus consideration earned since 2017. Annual bonus consideration totaled \$26.0 million, the highest annual bonus consideration earned since 2017, with PrairieSky entering into 202 leasing arrangements with 110 different counterparties. In both 2022 and 2023, leasing activity was focused on oil targets which has resulted in strong organic oil growth on PrairieSky's royalty properties. PrairieSky averaged a record 12,844 barrels per day of oil royalty production in the quarter which was 6% above Q4 2022. Annually, average oil royalty volumes reached a record 12,438 barrels per day, 6% above 2022. With the incremental Duvernay leasing, we anticipate long-term light oil royalty production growth to complement the growth in heavy oil from PrairieSky's Clearwater and Mannville Stack oil plays.

Total royalty production averaged 25,608 BOE per day in the fourth quarter generating royalty production revenue of \$122.0 million which combined with \$11.2 million of bonus consideration, \$2.9 million of lease rentals and \$0.5 million of other revenues drove Q4 2023 funds from operations of \$111.1 million. Annually, total royalty production averaged 24,857 BOE per day generating \$474.6 million in royalty production revenue. Funds from operations totaled \$382.5 million for 2023 generated primarily on strong oil royalty production revenue which made up 79% of royalty production revenue combined with \$26.0 million in bonus consideration. PrairieSky's annual 2023 dividend was \$229.2 million or \$0.96 per common share, resulting in an annual payout ratio of 60%. PrairieSky executed on \$58.4 million in acquisitions and directed the remainder of funds from operations to retiring bank debt. At December 31, 2023, PrairieSky's net debt totaled \$222.1 million, a decrease of 30% from \$315.1 million at December 31, 2022. Management believes PrairieSky's business model is uniquely suited to provide sustainable returns to shareholders through all commodity price cycles and we are pleased to announce a 4% dividend increase effective for the March 29, 2024 record date.

During Q4 2023, PrairieSky added incremental royalty acreage through \$22.2 million in acquisitions which included undeveloped lands in the Mannville Stack oil play. We have focused our acquisition strategy since 2016 on entering early stage plays such as the Clearwater and Mannville Stack. This strategy has driven strong oil royalty production growth and we anticipate these acquisitions will continue to provide strong returns on invested capital. In addition to early-stage opportunities, PrairieSky acquired approximately 67,000 acres of producing and non-producing royalty acreage in Central Alberta for \$14.0 million before customary closing adjustments, which closed on December 6, 2023. The acquisition included royalty production volumes of 90 BOE per day (72% liquids) and seismic covering the acquired assets.

It was an active fourth quarter on our royalty properties with 197 wells spud, comprised of 184 oil wells, 12 natural gas wells and 1 helium well. Drilling activity in the quarter spanned from Northeast British Columbia to Southwest Manitoba and was focused on oil plays including 44 Clearwater oil wells across our 1.4 million acres of Clearwater acreage, 48 Mannville Stack oil wells and 33 Viking oil wells primarily on fee leases in Saskatchewan. With the level of third-party drilling activity and new leasing, management expects oil royalty production volumes to maintain momentum into 2024. In 2023, there were 805 wells spud, down from 850 wells in 2022. PrairieSky estimates that \$2.0 billion (net - \$112 million) in third-party capital was spent in 2023 drilling and completing wells on PrairieSky's royalty properties, up from \$1.5 billion (net - \$84 million) in 2022. Capital spending by third-party operators targeted oil plays, including those where PrairieSky has made strategic investments, with the most active plays being the Clearwater oil play, Mannville Stack heavy oil play and the Viking oil play.

We were very pleased with the level of organic growth in oil royalty volumes we have achieved over the last two years and the level of activity across our land base. We anticipate 2024 will continue to be active and we will remain disciplined, focusing on our core strategies of leasing land, managing controllable costs and conducting royalty and land compliance activities. We are pleased to welcome Michael to our team and look forward to working with him to meet our corporate objectives. We would like to thank our shareholders for their support, and our staff for their continued hard work.

Andrew Phillips, President & CEO

Q4 2023 FINANCIAL HIGHLIGHTS

- PrairieSky generated funds from operations of \$111.1 million or \$0.46 per share (basic and diluted) in Q4 2023, an increase of 18% over Q3 2023 and 7% below Q4 2022. The increase in funds from operations over Q3 2023 was driven by a combination of organic growth in oil royalty production volumes and increased bonus consideration earned on new leasing activity. These positive impacts were more than offset by lower WTI and AECO benchmark pricing as compared to Q4 2022.
- PrairieSky's royalty production volumes totaled 25,608 BOE per day and generated royalty production revenue of \$122.0 million in Q4 2023. A further breakdown is as follows:
 - PrairieSky achieved record oil royalty production volumes of 12,844 barrels per day, a 6% increase over both Q3 2023 and Q4 2022 as royalty production from new wells on stream more than offset natural declines. Oil royalty production volumes included 24 barrels per day related to acquisitions in the quarter.
 - Oil royalty production revenue totaled \$98.4 million, a decrease of 4% from Q3 2023 as higher royalty production volumes were offset by weaker WTI benchmark pricing and wider light and heavy oil differentials. Oil royalty production revenue was lower than Q4 2022 due to lower WTI benchmark pricing and a wider light oil differential partially offset by stronger royalty production volumes, a narrowed heavy oil differential and a weaker Canadian dollar relative to the US dollar.
 - Natural gas royalty production volumes averaged 60.4 MMcf per day in Q4 2023, a 6% decrease from Q3 2023 and 9% from Q4 2022 as new wells on stream were offset by natural declines.
 - Natural gas royalty revenue totaled \$12.2 million, a 5% increase over Q3 2023 due to certain royalty volumes being sold at higher Sumas pricing. Natural gas royalty revenue decreased 62% from Q4 2022 when daily AECO pricing averaged \$5.11 per mcf and monthly AECO pricing averaged \$5.58 per mcf which was more than 50% above Q4 2023 AECO pricing.
 - NGL royalty production volumes averaged 2,697 barrels per day, flat with both Q3 2023 and Q4 2022 as new wells on stream offset natural declines.
 - NGL royalty revenue totaled \$11.4 million, down 12% from Q3 2023 and 16% from Q4 2022 due to lower benchmark pricing.
- PrairieSky generated \$11.2 million in bonus consideration in Q4 2023, the highest quarterly bonus consideration earned since 2017, which was earned on entering into 50 new leasing arrangements with 43 different counterparties. PrairieSky earned an incremental \$2.9 million in lease rentals and \$0.5 million in other revenue in the quarter. Compliance recoveries totaled \$2.0 million in Q4 2023.
- Cash administrative expenses totaled \$5.6 million or \$2.38 per BOE, in line with Q4 2022.
- PrairieSky declared a dividend of \$57.3 million (\$0.24 per share) during Q4 2023, representing a 52% payout ratio. Remaining funds from operations were allocated to acquisitions and to retiring bank debt.
- During Q4 2023, PrairieSky acquired undeveloped lands in the Mannville Stack as well as incremental producing and non-producing royalty interests and seismic for cash consideration of \$22.2 million.

ANNUAL FINANCIAL HIGHLIGHTS

- PrairieSky generated annual funds from operations of \$382.5 million (\$1.60 per share basic and diluted), 25% below 2022, as record oil royalty production volumes and strong bonus consideration were more than offset by the negative impacts of lower benchmark commodity pricing.
- Royalty production volumes averaged 24,857 BOE per day, flat year over year, as increased oil royalty production volumes were offset by lower natural gas royalty volumes which were negatively impacted during the year due to facility maintenance downtime and forest fire related shut-ins. Average oil royalty production volumes reached a record 12,438 barrels per day, 6% higher than 2022.
- PrairieSky achieved total revenues of \$513.2 million, comprised of \$474.6 million of royalty production revenue and \$38.6 million of other revenue. Other revenue included \$26.0 million of bonus consideration, the highest annual amount since 2017, earned on entering into 202 new leasing arrangements with 110 counterparties. Compliance recoveries totalled \$6.6 million for the year.
- Administrative expenses totaled \$45.0 million or \$4.96 per BOE, below 2022 administrative expenses of \$48.8 million or \$5.30 per BOE. Cash administrative expenses totaled \$47.9 million or \$5.28 per BOE higher than 2022 cash administrative expense primarily due to share-based compensation payments, including a termination payment related to a leadership change and a director retirement.

- During 2023, PrairieSky completed acquisitions of fee mineral title and GORR interests primarily targeting Mannville Stack heavy oil for \$58.4 million. Annually, acquisitions added 35 BOE per day to royalty production volumes.
- PrairieSky declared cumulative annual dividends of \$229.2 million or \$0.96 per share with a resulting annual payout ratio of 60%.
- At December 31, 2023, PrairieSky's net debt totaled \$222.1 million, a decrease of \$93.0 million or 30% from December 31, 2022 net debt of \$315.1 million.

ACTIVITY ON PRAIRIESKY'S ROYALTY PROPERTIES

Third-party drilling activity remained strong in Q4 2023 with 197 wells spud on PrairieSky's royalty properties consisting of 95 wells spud on Fee Lands, 93 wells spud on GORR acreage and 9 unit wells spud. Activity was focused on oil targets with 184 wells spud which included 48 Mannville Stack oil wells, 44 Clearwater oil wells, 33 Viking oil wells, 17 Mannville oil wells, 13 Cardium oil wells, 11 Mississippian oil wells, 6 Duvernay oil wells, and 12 additional oil wells spud in the Bakken, Belly River, Charlie Lake, Jurassic and Nisku formations. There were 12 natural gas wells spud in Q4 2023, including 5 Montney natural gas wells, 7 Mannville and Spirit River wells, and 1 helium well. PrairieSky's average royalty rate for wells spud in Q4 2023 was 7.2% (Q4 2022 - 6.4%). Spuds on PrairieSky's royalty properties in 2023 totaled 805 wells, as compared to 850 wells in 2022. The average royalty rate for wells spud in 2023 was 7.2% (2022 - 7.3%).

For 2023, PrairieSky estimates that \$2.0 billion (net - \$112 million) in third-party capital was spent drilling and completing wells on PrairieSky royalty properties, up from \$1.5 billion (net capital - \$84 million) in 2022, representing a 33% increase in net capital spent on PrairieSky's land base year over year. The increase was primarily a result of inflation in the service sector.

ANNUAL DIVIDEND INCREASED 4% TO \$1.00 PER SHARE

PrairieSky is pleased to announce a 4% increase in its annual dividend to \$1.00 per common share in 2024, to be paid on a quarterly basis effective for the March 29, 2024 record date. In determining changes to the dividend level, the Board of Directors considers a number of factors including current and projected activity levels on PrairieSky's royalty lands, the current commodity price environment, the working capital and bank debt balance and net earnings of the Company.

2023 RESERVES INFORMATION

PrairieSky's proved plus probable reserves totaled 65,762 MBOE at December 31, 2023 (December 31, 2022 - 66,719 MBOE) and include only developed assets (developed producing and developed non-producing properties) and do not include any future development capital on undeveloped lands. Proved plus probable reserves remained relatively flat with 2022, with year over year changes comprised of additions related to third-party drilling and improved recovery (7,111 MBOE), technical additions (971 MBOE), acquisitions (14 MBOE) and economic factors (19 MBOE) less 2023 royalty production volumes of 9,072 MBOE. At December 31, 2023, the before-tax net present value of total proved plus probable reserves, discounted at 10%, decreased 5% to \$1.84 billion (2022 - \$1.94 billion) primarily as a result of lower near-term natural gas and NGL commodity price assumptions.

PrairieSky's year end 2023 reserves were evaluated by independent reserves evaluators GLJ Ltd. The evaluation of PrairieSky's royalty properties was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. PrairieSky's reserves information is included in the Company's Annual Information Form which is available on SEDAR+ at www.sedarplus.ca and PrairieSky's website at www.prairiesky.com.

GLOBAL SUSTAINABILITY RANKINGS

Once again PrairieSky has received industry leading scores from several globally recognized environmental, social and governance ("ESG") rating agencies for 2023. These results demonstrate our carbon neutral status⁽¹⁾ and ongoing commitment to environmental stewardship, social responsibility, and strong corporate governance practices and are set forth below.

2023 ESG Rankings

<u>Rating Agency</u>	<u>PrairieSky Score/Ranking</u>	<u>Description of Score/Ranking</u>
Sustainalytics ESG Risk (All Industries)	7.4 Negligible Risk	Ranked in the top 0.5% of all companies in Sustainalytics global coverage universe ⁽²⁾ and maintained "Negligible Risk" ESG Risk Rating. Received "2024 ESG Global 50 Top-Rated Badge" awarded to the top 50 ranked companies in Sustainalytics ESG Risk Ratings universe which covers more than 14,000 companies across 42 industries.
Sustainalytics ESG Risk (Oil and Gas Producers)	1 out of 315	Maintained top overall global ⁽²⁾ ranking and awarded Sustainalytics "Industry Top-Rated Badge".
MSCI ESG Risk Rating	AAA	Maintained AAA "Leader" status, denoting companies leading the industry in managing the most significant ESG risks and opportunities. Measurement of resilience to long-term, industry material ESG risks on a relative ranking from AAA to CCC.
CDP Climate Change 2023	B	Received a score of B, as compared to the North American and global average of C, indicating the Company has addressed the environmental impacts of their business and ensures good environmental management.
S&P's Global Corporate Sustainability Assessment (CSA)	62	Scored 62 out of 100, achieving a top 15% ranking and included as a member of S&P's Global Sustainability Yearbook 2024 for corporate sustainability excellence.
Globe and Mail Governance Overall Survey Score	84/100	Ranked 57 out of 219 companies in the S&P/TSX Composite Index with an overall score of 84 out of 100. Survey assesses quality of governance practices.

⁽¹⁾ Carbon neutral refers to PrairieSky's Scope 1 and Scope 2 emissions which are net zero.

⁽²⁾ PrairieSky's ranking as of January 24, 2024.

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 annual audited consolidated financial statements and notes thereto for the fiscal period ended December 31, 2023 are available on SEDAR+ at www.sedarplus.ca and PrairieSky's website at www.prairiesky.com.

(millions, except per share or as otherwise noted)	Three months ended			Year ended	
	December 31 2023	September 30 2023	December 31 2022	December 31 2023	December 31 2022
FINANCIAL					
Revenues	\$ 136.6	\$ 133.1	\$ 150.6	\$ 513.2	\$ 643.3
Funds from Operations	111.1	93.8	119.5	382.5	507.6
Per Share - basic ⁽¹⁾	0.46	0.39	0.50	1.60	2.13
Per Share - diluted ⁽¹⁾	0.46	0.39	0.50	1.60	2.12
Net Earnings	67.4	55.4	67.3	227.6	317.5
Per Share - basic and diluted ⁽¹⁾	0.28	0.23	0.28	0.95	1.33
Dividends declared ⁽²⁾	57.3	57.3	57.3	229.2	143.3
Per Share	0.24	0.24	0.24	0.96	0.60
Dividend payout ratio ⁽³⁾	52%	61%	48%	60%	28%
Acquisitions	22.2	15.6	6.2	58.4	30.6
Net debt at period end ⁽⁴⁾	222.1	253.7	315.1	222.1	315.1
Shares Outstanding					
Shares outstanding at period end	239.0	239.0	238.9	239.0	238.9
Weighted average - basic	239.0	238.9	238.8	239.0	238.8
Weighted average - diluted	239.0	238.9	239.2	239.0	239.1
OPERATIONAL					
Royalty Production Volumes					
Crude Oil (bbls/d)	12,844	12,084	12,166	12,438	11,739
NGL (bbls/d)	2,697	2,702	2,681	2,502	2,684
Natural Gas (MMcf/d)	60.4	64.1	66.4	59.5	64.7
Royalty Production (BOE/d) ⁽⁵⁾	25,608	25,469	25,914	24,857	25,206
Realized Pricing					
Crude Oil (\$/bbl)	83.27	92.53	88.36	82.52	102.88
NGL (\$/bbl)	46.07	52.01	54.56	47.60	59.73
Natural Gas (\$/Mcf)	2.19	1.97	5.30	2.60	4.93
Total (\$/BOE) ⁽⁵⁾	51.78	54.37	60.74	52.31	66.92
Operating Netback per BOE⁽⁶⁾	48.68	46.09	57.89	46.32	63.43
Funds from Operations per BOE	47.16	40.03	50.12	42.16	55.17
Oil Price Benchmarks					
Western Texas Intermediate (WTI) (US\$/bbl)	78.32	82.32	82.64	77.62	94.23
Edmonton Light Sweet (\$/bbl)	99.72	107.87	110.04	100.46	120.07
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(21.89)	(12.89)	(25.66)	(18.65)	(18.22)
Natural Gas Price Benchmarks					
AECO monthly index (\$/Mcf)	2.66	2.39	5.58	2.93	5.56
AECO daily index (\$/Mcf)	2.30	2.60	5.11	2.64	5.31
Foreign Exchange Rate (US\$/CAD\$)	0.7343	0.7466	0.7365	0.7410	0.7683

(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 share was declared on December 5, 2023. The dividend was paid on January 15, 2024 to shareholders of record as at December 29, 2023.

(3) Dividend payout ratio is defined in "Non-GAAP Measures and Ratios" section in this press release.

(4) See Note 15 "Capital Management" in the annual audited consolidated financial statements for the years ended December 31, 2023 and 2022 and the section "Capital Management" contained in the Company's MD&A for the years ended December 31, 2023 and 2022.

(5) See "Conversions of Natural Gas to BOE" in this press release.

(6) Operating Netback per BOE is defined in "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, February 13, 2024, 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/B1c8d6ed709556478090dacabbb21e8b02>

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, including but not limited to the expectation that Duvernay leasing will result in long-term light oil royalty production growth which will complement the growth in heavy oil from PrairieSky's Clearwater and Mannville Stack oil plays; expectation that PrairieSky's acquisitions will provide strong returns on invested capital; expectation that PrairieSky's business model is uniquely suited to provide sustainable returns to shareholders through all commodity price cycles; the quality of PrairieSky's existing royalty asset portfolio; the expectation that oil royalty production volumes will maintain momentum into 2024 and that 2024 will continue to be active and expected dividends.

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, 2023. 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, 2023 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedarplus.ca 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 statements contained in this document are 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 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. Non-GAAP measures should not be considered an alternative to or more meaningful than the most directly comparable financial measure of each such non-GAAP measure described below. 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 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.

(\$ millions)	Three Months Ended			Year Ended	
	December 31	September 30	December 31	December 31	December 31
	2023	2023	2022	2023	2022
Cash from Operating Activities	\$ 128.0	\$ 78.1	\$ 140.7	\$ 318.9	\$ 565.5
Other Revenue	(14.6)	(5.7)	(5.8)	(38.6)	(27.6)
Non-cash Revenue	-	0.5	-	0.5	0.2
Amortization of Debt Issuance Costs	(0.1)	-	(0.2)	(0.4)	(0.7)
Finance Expense	3.9	4.5	4.4	17.5	18.6
Current Tax Expense	14.4	14.9	20.2	58.8	85.6
Interest on lease obligation	-	-	(0.1)	-	(0.1)
Net Change in Non-cash Working Capital	(16.9)	15.7	(21.2)	63.6	(57.9)
Operating Netback	\$ 114.7	\$ 108.0	\$ 138.0	\$ 420.3	\$ 583.6

"Operating Margin" represents operating netback 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.

(\$ millions)	Three Months Ended			Year Ended	
	December 31	September 30	December 31	December 31	December 31
	2023	2023	2022	2023	2022
Royalty Production Revenue	\$ 122.0	\$ 127.4	\$ 144.8	\$ 474.6	\$ 615.7
Operating Netback	\$ 114.7	\$ 108.0	\$ 138.0	\$ 420.3	\$ 583.6
Operating Margin	94%	85%	95%	89%	95%

"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.

(\$ millions)	Three Months Ended			Year Ended	
	December 31	September 30	December 31	December 31	December 31
	2023	2023	2022	2023	2022
Funds from Operations	\$ 111.1	\$ 93.8	\$ 119.5	\$ 382.5	\$ 507.6
Dividends Declared	\$ 57.3	\$ 57.3	\$ 57.3	\$ 229.2	\$ 143.3
Payout Ratio	52%	61%	48%	60%	28%

"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

The following table presents the computation of cash administrative expenses:

(\$ millions)	Three Months Ended			Year Ended	
	December 31	September 30	December 31	December 31	December 31
	2023	2023	2022	2023	2022
Total Administrative Expenses	\$ 6.1	\$ 15.0	\$ 16.4	\$ 45.0	\$ 48.8
Share-Based Compensation Expense	(0.5)	(8.6)	(11.3)	(20.9)	(28.3)
Cash Payments Made - Share Unit Plans	-	11.5	-	23.8	5.0
Cash Administrative Expenses	\$ 5.6	\$ 17.9	\$ 5.1	\$ 47.9	\$ 25.5

"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.

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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