

PRAIRIESKY ANNOUNCES 2020 FOURTH QUARTER AND YEAR END RESULTS, A ROYALTY ASSET ACQUISITION, AND AN 8% DIVIDEND INCREASE

Calgary, Alberta (February 8, 2021)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its fourth quarter ("**Q4 2020**") and year-end operating and financial results for the period ended December 31, 2020, which demonstrate the benefits of a low-cost, high margin business that delivers free cash flow through all commodity cycles, a royalty asset acquisition, and a dividend increase.

Royalty Asset Acquisition and Dividend Increase:

- PrairieSky has entered into a definitive agreement to acquire a large royalty portfolio, which will consolidate a significant fee mineral title position in Western Canada within the Company. The acquisition includes approximately 640,000 net acres of additional producing and undeveloped royalty interests, approximately 650 BOE per day of royalty production, and an extensive proprietary seismic database for cash consideration of \$45.0 million.
- PrairieSky's Board of Directors approved an 8% increase in the annual dividend to \$0.26 per common share or \$0.065 per quarter, effective for the March 31, 2021 record date.

Fourth Quarter 2020 Highlights:

- Revenues increased 8% to \$47.0 million, comprised of royalty production revenues of \$43.6 million and other revenues of \$3.4 million, compared to Q3 2020.
- Funds from Operations increased 8% from Q3 2020 to \$41.1 million (\$0.18 per common share basic and diluted).
- Royalty production averaged 19,281 BOE per day (50% liquids) and included an 11% increase in oil production from Q3 2020.
- Declared a third quarter dividend of \$13.4 million (\$0.06 per common share), representing a payout ratio of 33%.
- Reduced indebtedness by over 35% compared to Q3 2020, exiting 2020 with \$42.9 million of net debt.

Annual 2020 Highlights:

- Revenues totaled \$171.4 million, comprised of royalty production revenues of \$156.2 million and other revenues of \$15.2 million.
- Funds from Operations totaled \$146.8 million (\$0.64 per common share basic and diluted).
- Royalty production averaged 19,712 BOE per day (49% liquids).
- Cash administrative expenses of \$2.49 per BOE, 7% below 2019 cash administrative expenses of \$2.68 per BOE and the lowest cash administrative expenses since inception.
- Dividends declared in the year of \$86.1 million (\$0.3750 per share), representing a payout ratio of 59%.
- Repurchased 9.8 million common shares for \$90.9 million under the normal course issuer bid, cancelling over 4% of the common shares outstanding.
- Achieved "net-zero" Scope 1 and Scope 2 GHG emissions highlighting the differentiated nature of our royalty business model and leading corporate performance, which has been recognized by multiple global ESG rating agencies.

PRESIDENT'S MESSAGE

2020 was a challenging year for industry with the onset of the COVID-19 pandemic and an extremely volatile commodity price environment. Throughout 2020 we remained focused on our core strategies of leasing for existing and new plays across our expansive land base, ensuring efficiencies and cost control in our business operations, and pursuing acquisitions of complementary assets provided they meet our rigorous internal criteria.

Subsequent to year-end, PrairieSky entered into a definitive agreement to acquire a substantial royalty asset package for cash consideration of \$45.0 million, before adjustments, consisting of approximately 640,000 net acres of royalty interest lands in Western Canada, and which include (i) a 170,000 acre fee mineral title position with multizonal leasing, exploration and development potential; (ii) an extensive Deep Basin royalty position with a concentration of stacked resource play opportunities; and (iii) ownership of approximately 3,200 square kilometres of 3D seismic and 3,100 kilometres of 2D seismic covering the acquired assets and PrairieSky's existing fee mineral title acreage. The acquired royalty assets are comprised of producing and significant undeveloped royalty interests and PrairieSky expects to add approximately 650 BOE per day of production (44% liquids). We expect the acquired assets will be cash flow and production accretive to shareholders in the near, medium and long term. We expect to be able to grow the asset at over 5% per year over the next five years through near-term leasing activities and active management of the acquired asset portfolio. Closing of the acquisition is expected to occur in February 2021. PrairieSky continues to see quality acquisition opportunities including small and medium-sized potential transactions and will remain selective and disciplined in our evaluation of new royalty opportunities.

PrairieSky generated funds from operations of \$41.1 million in Q4 2020, and \$146.8 million in 2020, returning \$86.1 million or \$0.3750 per common share to shareholders through dividends over the course of the year. PrairieSky's strong 2020 financial performance in a challenging macro environment underscores the resiliency of our royalty business and PrairieSky's ability to provide sustainable returns to shareholders through all commodity price cycles. During 2020, PrairieSky opportunistically accelerated its normal course issuer bid ("**NCIB**") repurchasing and cancelling 9.8 million common shares, or over 4% of the common shares outstanding, at an average price per share of \$9.30. The substantial majority of these NCIB purchases occurred in Q3 2020 utilizing cash on hand and our credit facility. PrairieSky retired over 35% of its debt during Q4 2020, maintaining a strong and flexible balance sheet at year end.

During 2020, capital spending on PrairieSky lands targeted several plays where PrairieSky has made strategic investments over several years, as well as areas PrairieSky has been actively leasing from its vast inventory of undeveloped fee title land. An estimated \$476 million (net - \$27 million) in third-party capital was spent in 2020 drilling and completing wells on PrairieSky lands, down from \$1.1 billion (net - \$58 million) in 2019. Capital spending across Western Canada was down significantly in 2020 as a result of the low crude oil pricing and the impacts of the COVID-19 pandemic on global demand for hydrocarbons. Third-party capital represented approximately 3.1% of total Canadian conventional capital expenditures and was enough, along with improved natural gas prices, to grow PrairieSky's proved plus probable reserves 5% to 48,189 MBOE at December 31, 2020 (December 31, 2019 - 45,835 MBOE). The increase in reserves in a challenging year demonstrates the quality of our royalty properties and the third-party operators on our lands. PrairieSky's reserves include only developed assets (developed producing and developed non-producing properties) and do not include any future development capital on undeveloped land.

During Q4 2020, third-party operators spud 74 wells (88% oil) on PrairieSky lands, including 8 wells spud on fee lands, 48 wells spud on gross overriding royalty lands and 18 wells spud on unitized lands, with a resulting average net royalty rate of 3.5% for new wells. Activity included 27 Viking wells, 17 Clearwater wells, 4 Cardium wells and 17 wells in other oil formations including the Mannville, Mississippian and Bakken. There were also 9 natural gas wells spud targeting multiple formations, including the Montney, Cardium and Spirit River. In 2020, a total of 288 wells were spud (2019 - 661 wells) with an average net royalty rate of 6.4% (2019 - 7.1%).

Q4 2020 royalty production volumes increased 3% to 19,281 BOE per day from 18,745 BOE per day in Q3 2020 and generated \$43.6 million in royalty production revenue, a 14% increase from Q3 2020. Oil royalty production volumes averaged 7,313 barrels per day, 11% above Q3 2020 average royalty production volumes of 6,572 barrels per day due to new wells on stream and previously shut-in production being brought back on. Increased production positively impacted oil royalty revenue which totaled \$28.0 million, an increase of 13% over Q3 2020. Natural gas royalty production volumes averaged 58.1 MMcf per day, in line with Q3 2020 royalty production of 58.2 MMcf per day, and generated \$10.0 million of royalty revenue representing an increase of 15% compared to Q3 2020 royalty revenue of \$8.7 million due primarily to stronger average AECO and Station 2 benchmark pricing in the quarter. Q4 2020 average NGL royalty production volumes of 2,285 barrels per day, were down 8% from Q3 2020 royalty production volumes of 2,473 barrels per day and royalty production revenue totaled \$5.6 million, an increase of 14% compared to Q3 2020 royalty revenue of \$4.9 million, as higher benchmark pricing for propane and improved propane and butane differentials under the current NGL contract year offset the impact of lower WTI benchmark pricing and lower production volumes primarily due to fewer compliance recoveries in the quarter.

For 2020, royalty production revenue of \$156.2 million (2019 - \$244.9 million) was generated from average royalty production volumes of 19,712 BOE per day (2019 - 21,757 BOE per day). Crude oil royalty revenue totaled \$99.2 million, down 47% from \$188.7 million in 2019 due to a 31% decrease in average West Texas Intermediate ("**WTI**") benchmark pricing combined with lower average oil royalty production volumes. Crude oil royalty production volumes averaged 7,124 barrels per day (2019 - 8,633 barrels per day) due to lower exploration and development activity across Western Canada as well as shut-in production during the year in response to lower WTI pricing and COVID-19 impacts on global demand. Average natural gas royalty production volumes of 60.1 MMcf per day were down 5% from 2019 natural gas royalty production volumes of 63.1 MMcf per day, contributing \$35.4 million of revenue, which was up 20% from \$29.5 million in 2019. This increase in natural gas royalty revenue was due primarily to the significant increase in AECO and Station 2 benchmark pricing in 2020, which was partially offset by lower solution gas volumes and drilling activity. Average NGL royalty production volumes totaled 2,571 barrels per day, in line with 2019 NGL royalty production volumes of 2,607 barrels per day. NGL royalty production revenue totaled \$21.6 million, down 19% from 2019 NGL royalty production revenue of \$26.7 million, as a result of lower benchmark pricing, partially offset by improved propane and butane differentials.

Other revenue totaled \$3.4 million in Q4 2020 comprised of \$1.8 million of lease rentals, \$0.9 million of lease bonus consideration and \$0.7 million of other income. During the quarter, PrairieSky entered into 25 new leases with 22 different counterparties. During 2020, PrairieSky earned other revenues of \$15.2 million comprised of \$5.9 million of lease rentals, \$3.5 million of other income and \$5.8 million of bonus consideration from entering 85 leasing arrangements with 51 different counterparties. Throughout the year, leasing activity was focused on crude oil and natural gas targets across a number of plays and areas in Alberta and Saskatchewan.

Cash administrative expenses totaled \$3.5 million or \$1.97 per BOE in the quarter and \$18.0 million or \$2.49 per BOE for the full year 2020, representing an all-time low. We are focused on managing controllable costs in our business and expect cash administrative expenses to remain well below \$3.00 per BOE in 2021. PrairieSky's staff continued their focus on ensuring timely and accurate royalty payments, collecting compliance recoveries totaling \$0.8 million in the quarter bringing 2020 compliance recoveries to \$5.8 million.

Our virtual Investor Day will be held on May 18, 2021, when we will release our 2021 Playbook and our annual Responsibility Report. We expect both of these documents to highlight the unique attributes of our long duration, high margin business model, and our commitment to best practices in governance, social responsibility and environmental stewardship.

We continue to monitor the situation related to COVID-19 and follow the advice of public health officials, prioritizing the health and safety of our employees and community. Whether we are working remotely or

in the office, executing on our strategy is our priority. I would like to thank our staff for their continued efforts and our shareholders for their 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 DIVIDEND INCREASED 8% TO \$0.26 PER SHARE

PrairieSky is pleased to announce an 8% increase in its annual dividend to \$0.26 per common share in 2021, to be paid on a quarterly basis effective for the March 31, 2021 record date. The Board of Directors considers a number of factors in determining the dividend level, including current and projected activity levels on PrairieSky's royalty lands, the current commodity price environment, the working capital balance and net earnings of the Company.

PrairieSky's current NCIB commenced on May 19, 2020 and expires on May 18, 2021. During 2020, PrairieSky purchased and cancelled 9.8 million common shares at an average price of \$9.30 at an aggregate cost of \$90.9 million. PrairieSky expects to apply to the TSX in May 2021 to renew the NCIB for an additional year, in accordance with TSX rules. Future amounts to be allocated to the NCIB will be announced in conjunction with application to the TSX prior to expiration of the existing NCIB.

2020 RESERVES INFORMATION

PrairieSky's year end 2020 reserves were evaluated by independent reserves evaluators GLJ Ltd. ("GLJ"). 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.sedar.com and PrairieSky's website at www.prairiesky.com.

2021 INVESTOR DAY

PrairieSky will be hosting an investor day on May 18, 2021, where members of PrairieSky's management and technical team will present details on the Company's crude oil and natural gas plays. Due to COVID-19 restrictions, the investor day will be a live webcast starting at 9:30 a.m. EDT. Interested parties may participate in the webcast available through PrairieSky's investor center at www.prairiesky.com. A copy of materials will also be available on PrairieSky's website at www.prairiesky.com. The webcast will be archived and accessible for replay after the event.

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 Audited Consolidated Financial Statements and notes thereto for the fiscal period ended December 31, 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 December 31		Year ended December 31	
	2020	2019	2020	2019
FINANCIAL				
Revenues	\$ 47.0	\$ 67.1	\$ 171.4	\$ 268.4
Funds from Operations	41.1	55.8	146.8	220.4
Per Share - basic and diluted ⁽¹⁾	0.18	0.24	0.64	0.94
Net Earnings	14.1	24.3	31.7	111.4
Per Share - basic and diluted ⁽¹⁾	0.06	0.10	0.14	0.48
Dividends declared ⁽²⁾	13.4	45.4	86.1	182.1
Per Share	0.0600	0.1950	0.3750	0.7800
Common share repurchases	-	2.8	90.9	19.0
Acquisitions, including non-cash consideration	2.7	3.4	9.4	11.2
Working Capital (Deficiency) at period end	(42.0)	(3.1)	(42.0)	(3.1)
Shares Outstanding				
Shares outstanding at period end	223.3	233.1	223.3	233.1
Weighted average – basic	223.3	233.2	229.6	233.6
Weighted average – diluted	223.8	233.6	230.1	234.0
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	7,313	8,884	7,124	8,633
NGL (bbls/d)	2,285	2,819	2,571	2,607
Natural Gas (MMcf/d)	58.1	63.0	60.1	63.1
Royalty Production (BOE/d) ⁽³⁾	19,281	22,203	19,712	21,757
Realized Pricing				
Crude Oil (\$/bbl)	\$ 41.59	\$ 57.29	\$ 38.05	\$ 59.88
NGL (\$/bbl)	26.44	25.92	22.93	28.02
Natural Gas (\$/Mcf)	1.87	1.70	1.61	1.28
Total (\$/BOE) ⁽³⁾	\$ 24.58	\$ 31.40	\$ 21.65	\$ 30.84
Operating Netback per BOE⁽⁴⁾	\$ 22.10	\$ 28.39	\$ 18.81	\$ 27.58
Funds from Operations per BOE	\$ 23.17	\$ 27.32	\$ 20.35	\$ 27.75
Oil Price Benchmarks				
Western Texas Intermediate (WTI) (US\$/bbl)	\$ 42.66	\$ 56.96	\$ 39.40	\$ 57.03
Edmonton Light Sweet (\$/bbl)	\$ 50.24	\$ 68.10	\$ 45.34	\$ 69.22
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ (9.30)	\$ (15.84)	\$ (12.60)	\$ (12.76)
Foreign Exchange Rate (US\$/CAD\$)	0.7694	0.7575	0.7468	0.7537
Natural Gas Price Benchmarks				
AECO monthly index (\$/Mcf)	\$ 2.76	\$ 2.31	\$ 2.24	\$ 1.62
AECO daily index (\$/Mcf)	\$ 2.64	\$ 2.47	\$ 2.23	\$ 1.76

(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 December 7, 2020. The dividend was paid on January 15, 2021 to shareholders of record as at December 31, 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, February 9, 2021 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)

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, and potential business development and acquisition opportunities; estimates regarding industry capital spent during 2019 and 2020 on PrairieSky lands and royalty assets on a gross and net basis; estimated impacts of COVID-19 on global hydrocarbon demand; the impact of shut-in production and the timing and impact of shut-in volumes returning to normal production operations; future growth from PrairieSky's existing royalty asset portfolio and the quality of PrairieSky's existing royalty asset portfolio; our expectations regarding the proposed acquisition, including production and production growth, cash flow and production accretion levels, multizonal leasing opportunities, benefits of active asset management and optimization, exploration and development potential, and the timing of closing of the proposed acquisition; the Company's expectations regarding future dividends, amounts allocated to the NCIB, the intention of PrairieSky to renew the NCIB, and the timing thereof; future collections from compliance activities and future activity on PrairieSky's lands; and the Company's expectations for 2021 cash administrative expenses per BOE.

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, 2020. 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, 2020 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, cash administrative expenses 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 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.

"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:

<i>(millions)</i>	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Total Administrative Expenses	\$ 4.9	\$ 3.1	\$ 18.6	\$ 23.7
Share-Based Compensation Expense (Recovery)	(1.4)	1.0	(2.3)	(4.6)
Cash Payments Made - Share Unit Award Incentive Plan ⁽¹⁾	-	-	1.7	2.2
Cash Administrative Expenses	\$ 3.5	\$ 4.1	\$ 18.0	\$ 21.3

⁽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 CONTACT:

Andrew Phillips
President & Chief Executive Officer
PrairieSky Royalty Ltd.
(587) 293-4005

Pamela Kazeil
Vice President, Finance & Chief Financial Officer
PrairieSky Royalty Ltd.
(587) 293-4089

Investor Relations
(587) 293-4000
www.prairiesky.com