



PRAIRIESKY ANNOUNCES 2021 SECOND QUARTER RESULTS, CLEARWATER ROYALTY ACQUISITION AND 38% DIVIDEND INCREASE

Calgary, Alberta (July 19, 2021)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its second quarter ("**Q2 2021**") operating and financial results for the period ended June 30, 2021, \$155.0 million Clearwater royalty acquisition and a 38% dividend increase.

Clearwater Royalty Acquisition and Dividend Increase

- PrairieSky has acquired a 5% gross overriding royalty on over 76,000 acres of Clearwater lands in the core Marten Hills area. The acquisition provides approximately 500 BOE per day (96% oil) of current royalty production with expected growth over the short and medium term, and a stable long-term production profile as a result of waterflood initiatives. The acquisition increases PrairieSky's position in the Clearwater play to over 1.1 million acres.
- PrairieSky's Board of Directors has approved a 38% quarterly dividend increase to \$0.09 per common share effective for the September 30, 2021 record date.

Second Quarter 2021 Highlights:

- Total revenues of \$69.8 million increased 17% over Q1 2021 and 148% over Q2 2020 and were comprised of royalty production revenues of \$64.9 million and other revenues of \$4.9 million, including a 64% increase in bonus consideration over the first quarter.
- Funds from Operations rose 16% to \$56.5 million (\$0.25 per common share basic and diluted) from Q1 2021 and 165% from Q2 2020.
- Royalty production averaged 19,723 BOE per day (49% liquids) up 2% over Q1 2021 and 6% higher than Q2 2020.
- Common share repurchases of \$13.2 million under the normal course issuer bid ("**NCIB**"). Over the 12-month period ending June 30, 2021, PrairieSky has repurchased 9.8 million common shares at an average price of \$9.64 at an aggregate cost of \$95.0 million.
- Declared a second quarter dividend of \$14.5 million (\$0.065 per common share), representing a payout ratio of 26%, with remaining cash flow used primarily to reduce PrairieSky's bank debt 44% from March 31, 2021 to \$34.1 million.

On July 19, 2021, PrairieSky completed an acquisition from Spur Petroleum Ltd. ("Spur") of a 5% gross overriding royalty interest on over 76,000 acres in the core Marten Hills Clearwater area of Alberta for total cash consideration of \$155.0 million (the "Marten Hills Acquisition"). The Marten Hills Clearwater lands held by Spur are at the heart of a best in class, long life heavy and medium crude oil project, which has significant undeveloped land potential, extensive multi-zonal drilling inventory, and upside opportunities for enhanced oil recovery and tertiary recovery schemes. The Marten Hills Clearwater play has one of the lowest environmental footprints among North American oil plays, with pipeline connected multi-well pad developments that do not require fresh water for fracking or extensive surface locations.

The Marten Hills Acquisition includes a royalty interest on Spur's existing production of approximately 10,000 BOE per day and all future production from the Marten Hills Acquisition lands, which is expected to grow to a sustainable production base of over 20,000 barrels per day by 2024. Given the robust economics of the Clearwater play, with top decile economics and managed by a best-in-class operator, PrairieSky expects that Spur can grow and maintain production volumes at Marten Hills by reinvesting only internally generated cash flows. The Marten Hills Acquisition is highly complementary to PrairieSky's

existing one million-acre position in the Clearwater play, and is immediately accretive to 2021 and 2022 per share metrics.

The Marten Hills Acquisition was completed using PrairieSky's available credit facility, inclusive of a \$50 million accordion which was added to the facility concurrently with closing of the acquisition.

"Over the past several quarters PrairieSky has continued to cancel shares well below intrinsic value and identify and execute on opportunities to expand its land and royalty portfolio in best in class plays," commented Andrew Phillips, President and CEO of PrairieSky. "The acquired royalty at Marten Hills represents a meaningful addition to PrairieSky's already dominant Clearwater acreage position, with a near and medium-term growth trajectory and a best-in-class economic return profile. Spur is the pioneer of the Clearwater play and a proven industry leader with a long track record of success. The acquisition is consistent with PrairieSky's long-term strategy of acquiring assets on the best part of the cost curve and that are complementary to PrairieSky's existing portfolio. We expect the Marten Hills Acquisition will be cash flow and production accretive to shareholders in the near, medium and long term. 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."

Q2 2021 FINANCIAL RESULTS

PrairieSky's funds from operations grew to \$56.5 million in Q2 2021, a 16% increase over Q1 2021 and a 165% increase over Q2 2020. Funds from operations were driven by strong commodity pricing and stable royalty production volumes and resulted in a 26% dividend payout ratio. Excess funds from operations were used to repurchase and cancel 981,000 common shares for \$13.2 million and to reduce bank debt by 44% to \$34.1 million at June 30, 2021. Given the high margin cash flows generated by the business, including current commodity prices and robust activity levels, the Board of Directors has undertaken a mid-year dividend review and increased the dividend 38% to \$0.09 per share quarterly. The Board of Directors believes the dividend increase provides shareholders with an allocation of capital and dividend income that is reflective of a strengthened business environment, while maintaining an industry low payout ratio which provides PrairieSky with flexibility to pursue accretive acquisitions, continue to repurchase common shares under the NCIB and leaves room for additional dividend increases in February 2022 and beyond.

PrairieSky's leverage to commodity prices drove total royalty production revenue higher for the quarter to \$64.9 million, 14% above Q1 2021 and 159% above Q2 2020. Royalty production revenue was generated from total royalty production volumes of 19,723 BOE per day which were up 2% from Q1 2021 and 6% above Q2 2020. A further breakdown of royalty revenue and production is as follows:

- Oil royalty production volumes averaged 7,028 barrels per day and generated \$42.9 million of royalty production revenue in the quarter, a revenue increase of 18% over Q1 2021 and 220% over Q2 2020. The increase in royalty production revenue was due primarily to stronger West Texas Intermediate ("**WTI**") benchmark pricing which averaged \$66.07 per barrel in the quarter and narrowed light oil differentials which offset a stronger Canadian dollar.
- Natural gas royalty revenue totaled \$13.7 million in Q2 2021, an increase of 8% over Q1 2021 due primarily to incremental royalty volumes from the Deep Basin acquisition completed in Q1 2021, and an increase of 80% over Q2 2020 due to stronger average AECO and Station 2 benchmark pricing. Natural gas royalty production volumes averaged 60.5 MMcf per day, 5% over Q1 2021 and flat with Q2 2020.
- Natural gas liquids ("**NGL**") volumes of 2,612 barrels per day increased 4% over Q1 2021 due primarily to incremental volumes from the Deep Basin acquisition and were flat with Q2 2020. NGL royalty revenue totaled \$8.3 million, up 11% from Q1 2021 and 102% from Q2 2020 due to strong benchmark pricing.

Third-party operators spud 89 wells (98% oil) on PrairieSky lands in Q2 2021, which included 38 wells on our GORR acreage, 37 wells on our Fee Lands and 14 unit wells. PrairieSky's average royalty rate for Q2 2021 was 6.3%. There were 87 oil wells spud in the quarter which included 47 Viking wells, 13

Mississippian wells, 7 Lindbergh SAGD wells, 7 Clearwater wells, 3 Cardium wells and 2 Duvernay wells as well as additional wells across a number of other oil plays.

PrairieSky generated an additional \$4.9 million in other revenues in Q2 2021 which included \$2.3 million of lease rentals, \$0.3 million in other income and \$2.3 million in bonus consideration. Bonus consideration was earned as PrairieSky entered into 34 new leases with 32 different counterparties on both oil and natural gas plays across Alberta and Saskatchewan. During the quarter, the compliance team recorded recoveries totaling \$1.1 million as staff continued to work with royalty counterparties to ensure timely and accurate payments.

PrairieSky's cash operating margin, royalty production revenue less production and mineral taxes and cash administrative expenses, was 92%. Cash administrative expenses totaled \$4.8 million or \$2.67 per BOE in the quarter. PrairieSky expects administrative expenses to be well below \$3.00 per BOE in 2021.

QUARTERLY DIVIDEND INCREASED 38% TO \$0.09 PER SHARE AND NCIB RENEWED

PrairieSky is pleased to announce a 38% increase in its quarterly dividend raising it to \$0.09 per common share effective for the September 30, 2021 record date. The Board of Directors considered a number of factors in determining a mid-year increase to its dividend level, including current and projected activity levels on PrairieSky's royalty lands, the current commodity price environment, the continued high margin and diversified cash flow from operating activities, and the net earnings of the Company.

PrairieSky's current NCIB commenced on May 25, 2021 and expires on May 24, 2022. PrairieSky has purchased and cancelled 123,900 common shares at an average price of \$14.02 at an aggregate cost of \$1.7 million since May 25, 2021 under the current NCIB. With these purchases, PrairieSky's year to date purchases and cancellations under its current and previous NCIB total 981,000 common shares at an average price of \$13.41 at an aggregate cost of \$13.2 million. Over the 12-month period ending June 30, 2021, PrairieSky has repurchased 9.8 million common shares at an average price of \$9.64 at an aggregate cost of \$95.0 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

During Q2 2021, PrairieSky was upgraded to "AA" status in the MSCI ESG Ratings, denoting top quartile performance amongst the constituents rated by MSCI. In addition, PrairieSky was added to the S&P/TSX Composite ESG Index at the April 2021 Annual Index Review.

During Q2 2021, PrairieSky published comprehensive ESG disclosures in its 2020 Responsibility Report which is available on our website at www.prairiesky.com/responsibility/our-approach. The report includes our Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and World Economic Forum (WEF) Reference Index and our progress report on principles set forth in the UN Global Compact. Additional disclosure on our website includes our Task Force on Climate-Related Financial Disclosures (TCFD) Report and independent assurance statements verifying key environmental data, "net zero" greenhouse gas emissions and other key performance indicators.

PrairieSky intends to continually update its website and reporting documents to provide new and additional information to stakeholders, including a 2021 Responsibility Report by mid-year 2022, and additional TCFD disclosures in 2021.

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 June 30, 2021 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

(millions, except per share or as otherwise noted)	Three months ended			Six months ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
FINANCIAL					
Revenues	\$ 69.8	\$ 59.5	\$ 28.2	\$ 129.3	\$ 80.9
Funds from Operations	56.5	48.8	21.3	105.3	67.8
Per Share - basic and diluted ⁽¹⁾	0.25	0.22	0.09	0.47	0.29
Net Earnings (Loss)	27.5	18.4	(0.4)	45.9	8.2
Per Share - basic and diluted ⁽¹⁾	0.12	0.08	(0.00)	0.21	0.04
Dividends declared ⁽²⁾	14.5	14.5	13.9	29.0	59.3
Per Share	0.065	0.065	0.060	0.130	0.255
Acquisitions	6.1	45.6	6.2	51.7	6.7
Working Capital Deficiency at period end	(35.7)	(57.2)	(8.7)	(35.7)	(8.7)
Common share repurchases	13.2	-	4.1	13.2	9.1
Shares Outstanding					
Shares outstanding at period end	222.3	223.3	232.2	222.3	232.2
Weighted average - basic	222.8	223.3	232.5	223.0	232.7
Weighted average - diluted	223.2	223.7	232.5	223.4	233.2
OPERATIONAL					
Royalty Production Volumes					
Crude Oil (bbls/d)	7,028	7,278	6,035	7,152	7,309
NGL (bbls/d)	2,612	2,502	2,586	2,557	2,765
Natural Gas (MMcf/d)	60.5	57.6	60.3	59.1	62.0
Royalty Production (BOE/d) ⁽³⁾	19,723	19,380	18,671	19,559	20,407
Realized Pricing					
Crude Oil (\$/bbl)	67.01	55.71	24.31	61.29	34.87
NGL (\$/bbl)	35.13	33.18	17.63	34.18	22.14
Natural Gas (\$/Mcf)	2.49	2.45	1.39	2.47	1.48
Total (\$/BOE) ⁽³⁾	36.16	32.51	14.77	34.35	19.98
Operating Netback per BOE ⁽⁴⁾	33.43	28.67	12.60	31.07	16.75
Funds from Operations per BOE	31.48	27.98	12.53	29.74	18.25
Oil Price Benchmarks					
Western Texas Intermediate (WTI) (US\$/bbl)	66.07	57.86	27.85	61.95	37.01
Edmonton Light Sweet (\$/bbl)	77.24	66.60	29.85	71.91	40.65
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(11.49)	(12.47)	(11.47)	(11.98)	(16.00)
Natural Gas Price Benchmarks					
AECO monthly index (\$/Mcf)	2.85	2.93	1.91	2.89	2.03
AECO daily index (\$/Mcf)	3.09	3.15	1.99	3.12	2.01
Foreign Exchange Rate (US\$/CAD\$)	0.8146	0.7899	0.7219	0.8022	0.7334

(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 \$0.065 per common share was declared on June 7, 2021. The dividend was paid on July 15, 2021 to shareholders of record as at June 30, 2021.

(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, July 20, 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)
Conference ID: 6868186

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 cash flow generation from PrairieSky's existing royalty asset portfolio and the expectation that it will exceed dividend payments, future dividend payments including the timing and amount thereof, the ability of PrairieSky to acquire additional and complementary assets, make additional purchases under the NCIB, repay debt and increase dividends in the future, collections from compliance activities and future activity on PrairieSky's lands, and the number of common shares which may be purchased under the NCIB in the future and PrairieSky providing new and additional information to stakeholders in 2021. We have also included certain forward-looking statements in this press release regarding the Marten Hills Acquisition, including estimates with respect to Spur's future development and growth plans, production growth, growth using internally generated cash flows, future drilling inventory on the Marten Hills Acquisition lands, upside potential from enhanced oil recovery and tertiary recovery schemes, and accretion per share in 2021 and 2022.

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, 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 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:

(\$ millions)	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Total Administrative Expenses	\$ 7.3	\$ 10.2	\$ 5.1	\$ 17.5	\$ 9.6
Share-Based Compensation Expense	(2.5)	(5.2)	(1.1)	(7.7)	(0.3)
Cash Payments Made - Share Unit Award Incentive	-	0.7	-	0.7	1.7
Cash Administrative Expenses	\$ 4.8	\$ 5.7	\$ 4.0	\$ 10.5	\$ 11.0

⁽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:

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