

## PRAIRIESKY ANNOUNCES 2022 SECOND QUARTER RESULTS, RECORD OIL ROYALTY PRODUCTION AND FUNDS FROM OPERATIONS; PUBLISHES ANNUAL SUSTAINABILITY REPORT

Calgary, Alberta (July 18, 2022)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its second quarter ("**Q2 2022**") results for the three-month period ended June 30, 2022.

### Second Quarter Highlights:

- Record average royalty production of 25,992 BOE per day, a 9% increase over Q1 2022 and 32% over Q2 2021 with oil royalty production reaching a record 12,220 barrels per day.
- Total revenues increased to \$198.1 million, 42% over Q1 2022 and 184% over Q2 2021, comprised of royalty production revenues of \$190.2 million and other revenues of \$7.9 million.
- Generated record quarterly funds from operations of \$159.6 million (\$0.67 per common share basic and diluted), 52% above Q1 2022 and 182% above Q2 2021 driven by royalty production growth and strong commodity pricing.
- Declared a second quarter dividend of \$28.7 million (\$0.12 per common share), representing a payout ratio of 18%, with excess cash flow allocated to \$15.6 million of royalty acquisitions and the balance to retiring bank debt.
- Net debt totaled \$453.9 million, down 20% or \$115.0 million from March 31, 2022 as excess funds from operations were used to retire indebtedness incurred in connection with acquisitions completed during the second half of 2021.
- PrairieSky completed \$15.6 million of royalty acquisitions in the quarter adding approximately 360 BOE per day (86% natural gas) of incremental gross overriding royalties in Central Alberta and Northeast British Columbia, as well as adding undeveloped land in the Clearwater oil play.

### President's Message

This is the third consecutive quarter of strong organic growth in royalty production as third-party operators have been actively drilling new wells and performing workovers and recompletions across PrairieSky's extensive land base. Increased royalty production, strong commodity pricing for all products and increased lease bonus and other revenues combined to deliver record quarterly funds from operations of \$159.6 million or \$0.67 per common share (basic and diluted). PrairieSky remains unhedged, realizing the full benefit of increased benchmark pricing during the quarter and generating a royalty revenue netback of \$80.44 per BOE. In addition, we remain insulated from direct inflationary pressures as we do not incur upstream costs related to exploration and development capital or operations which allowed us to generate an operating margin of 97% in the quarter.

PrairieSky's royalty production volumes grew organically again in Q2 2022 to 25,992 BOE per day as new wells drilled in late 2021 and Q1 2022 came on production. Oil royalty production averaged 12,220 barrels per day in the quarter, a 9% increase over Q1 2022 and a 33% increase over Q2 2021 excluding all acquisition royalty volumes. PrairieSky's Clearwater production continued on its strong growth trajectory averaging 1,500 BOE per day of royalty production in Q2 2022, a 25% increase YTD 2022. As the largest owner of Clearwater royalty lands with 1.3 million acres, this low-cost play is expected to provide significant royalty production growth opportunities for PrairieSky through all commodity cycles.

There were 122 spuds on our royalty properties in the quarter as third-party drilling activity moderated in line with seasonal breakup when road bans in certain areas take place. The pace of capital activity picked up late in Q2 2022 and we anticipate Q3 2022 to be very active due to the licensing activity we have seen to date and the number of new leases we entered into in the quarter which we view as a leading indicator to forecast drilling activity. Leasing of our undeveloped land base generated \$3.8 million in bonus consideration by entering into 54 distinct leasing arrangements with 45 different counterparties in Q2 2022. This includes significant new leasing for Mannville oil on our recently acquired fee mineral title acreage.

PrairieSky declared dividends of \$28.7 million or \$0.12 per common share for shareholders of record on June 30, 2022, resulting in a payout ratio of 18%. Excess funds from operations in the quarter were allocated primarily to debt repayment reducing net debt by \$115.0 million to \$453.9 million at June 30, 2022. Net debt has decreased \$181.1 million since December 31, 2021.

The first half of 2022 has been an exceptional start to the year with the third successive quarter of organic royalty production growth, leasing activity at multi-year highs and drilling activity in the field across the portfolio. We would like to thank our shareholders for their support, and our staff for their continued hard work.

Andrew Phillips, President & CEO

## **Q2 2022 Financial Highlights**

- Funds from operations increased 52% over Q1 2022 to a record \$159.6 million or \$0.67 per common share (basic and diluted). The increase in funds from operations was driven by organic growth in royalty production and strong commodity pricing. Funds from operations increased 182% over Q2 2021 with the addition of acquisition volumes in the second half of 2021, organic royalty production growth and improved commodity pricing.
- Royalty production revenue grew to \$190.2 million, a 41% increase over Q1 2022 and a 193% increase over Q2 2021, generated from total royalty production volumes of 25,992 BOE per day. A further breakdown is as follows:
  - Oil royalty production volumes averaged 12,220 barrels per day, a 9% increase over Q1 2022 and a 74% increase over Q2 2021. Excluding all acquisition royalty volumes completed over the last 12 months, organic growth in oil royalty production totaled 8% over Q1 2022 with an incremental 130 barrels per day (1%) of royalty production from sliding scale royalties. Organic growth was 29% over Q2 2021 as third-party operators accelerated drilling activity across a variety of oil royalty plays with an incremental 285 barrels per day (4%) of royalty production from sliding scale royalties.
  - Growth in oil royalty production volumes and strong average WTI pricing of US\$108.57 per barrel combined to generate oil royalty revenue of \$135.6 million in the quarter, a 37% increase over Q1 2022 and 216% above Q2 2021.
  - Natural gas royalty production volumes increased to 66.0 MMcf per day, 9% above both Q1 2022 and Q2 2021. Natural gas royalty production included the recovery of approximately 1.0 MMcf per day of volumes related to cold weather freeze-offs in Q1 2022 and 1.9 MMcf per day from the acquisition made in the quarter. The remaining increase in natural gas royalty production volumes is attributable to new wells on stream, workovers and solution gas from oil wells offsetting natural declines.
  - Natural gas royalty revenue increased to \$36.8 million, a 61% increase over Q1 2022 and 169% above Q2 2021 primarily due to strong natural gas index pricing with daily AECO averaging \$7.24 per Mcf in the quarter and monthly AECO pricing averaging \$6.27 per Mcf in the quarter.
  - NGL royalty production volumes averaged 2,772 barrels per day, 6% above both Q1 2022 and Q2 2021 due to new wells on stream and 50 barrels per day of incremental acquisition royalty volumes made in the quarter offsetting natural declines.
  - NGL royalty revenue increased to \$17.8 million, 36% over Q1 2022 and 114% over Q2 2021, due to increased royalty production volumes and strong benchmark pricing.
- Other revenue totaled \$7.9 million in Q2 2022 comprised of \$2.9 million of lease rentals and \$3.8 million in bonus consideration generated from 54 new leasing arrangements with 45 different counterparties. In addition, PrairieSky generated \$1.2 million in other income which included \$0.9 million of Potash royalty revenue. Compliance recoveries totaled \$1.6 million in Q2 2022.
- Cash administrative expenses totaled \$5.2 million or \$2.20 per BOE, down 18% on a per BOE basis from Q2 2021. PrairieSky expects cash administrative expense per BOE to remain below \$3.00 per BOE for 2022.
- PrairieSky declared a second quarter dividend of \$28.7 million (\$0.12 per common share), representing an 18% payout ratio, with remaining funds from operations primarily allocated to reducing bank debt.

- PrairieSky completed \$15.6 million of royalty acquisitions in the quarter adding approximately 360 BOE per day (86% natural gas) of incremental gross overriding royalties in Central Alberta and Northeast British Columbia, as well as adding undeveloped land in the Clearwater oil play.
- At June 30, 2022, PrairieSky's net debt balance totaled \$453.9 million, a \$115.0 million (20%) decrease from March 31, 2022.

## **ACTIVITY ON PRAIRIESKY'S ROYALTY PROPERTIES**

Annually, third-party capital activity in Western Canada slows down in the second quarter as a result of seasonal spring breakup when melting snow and frost cause the ground to become soft and muddy leading to ensuing road bans and limiting lease access. There were 122 wells spud (94% oil) on PrairieSky lands during Q2 2022 which included 62 wells spud on our Fee Lands, 44 wells spud on our GORR acreage and 16 unit wells spud. There were 115 oil wells spud in Q2 2022 including 42 Viking wells, 19 Mannville heavy and light oil wells, 14 Clearwater wells, 14 Mississippian wells, 6 Duvernay wells, 6 Mannville heavy oil wells at Lindbergh, 5 Cardium wells and 9 additional spuds in the Bakken, Belly River, Charlie Lake, Triassic and Devonian formations. There were 7 natural gas wells spud in Q2 2022, including 4 Montney, 2 Spirit River, and 1 Mannville well. PrairieSky's average royalty rate for wells spud in Q2 2022 was 7.2% (Q2 2021 - 6.3%).

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE**

### ***MSCI UPGRADE TO "AAA" ESG RATING***

PrairieSky improved our year over year MSCI ESG Risk Rating, achieving a "AAA" rating and "Leader" status in 2022 and a 10/10 ESG Controversies Score, denoting nil controversies. MSCI indicated that the upgrade to AAA status highlights PrairieSky's positioning relative to industry peers on multiple key issues such as carbon emissions, human capital development, community relations and governance, including highlighting MSCI's assessment of PrairieSky's "strong business ethics policies and practices relative to peers".

MSCI is a leading provider of critical decision support tools and services for the global investment community, enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. The MSCI ESG Risk Ratings cover over 8,500 companies (14,000 issuers including subsidiaries) and more than 680,000 equity and fixed income securities globally, are used by over 1,400 investors worldwide, and form the basis of MSCI's 1,500+ equity and fixed income ESG indexes. More information is available at [www.msci.com](http://www.msci.com).

### ***2021 SUSTAINABILITY REPORT PUBLISHED***

During Q2 2022, PrairieSky published comprehensive ESG disclosures in its 2021 Sustainability Report which is available on our website at [www.prairiesky.com/responsibility/our-approach](http://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, such as carbon neutral scope 1 and scope 2 greenhouse gas emissions and other key performance indicators.

## **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 unaudited interim condensed consolidated financial statements and notes thereto for the fiscal period ended June 30, 2022 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			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>FINANCIAL</b>					
Revenues	\$ 198.1	\$ 139.9	\$ 69.8	\$ 338.0	\$ 129.3
Funds from Operations	159.6	105.0	56.6	264.6	105.4
Per Share - basic and diluted <sup>(1)</sup>	0.67	0.44	0.25	1.11	0.47
Net Earnings	110.1	63.9	27.5	174.0	45.9
Per Share - basic and diluted <sup>(1)</sup>	0.46	0.27	0.12	0.73	0.21
Dividends declared <sup>(2)</sup>	28.7	28.7	14.5	57.4	29.0
Per Share	0.120	0.120	0.065	0.240	0.130
Acquisitions	15.6	6.3	6.1	21.9	51.7
Net debt at period end <sup>(3)</sup>	453.9	568.9	35.7	453.9	35.7
Common share repurchases	-	-	13.2	-	13.2
<b>Shares Outstanding</b>					
Shares outstanding at period end	238.8	238.8	222.3	238.8	222.3
Weighted average - basic	238.8	238.8	222.8	238.8	223.0
Weighted average - diluted	239.1	239.0	223.2	239.0	223.4
<b>OPERATIONAL</b>					
<b>Royalty Production Volumes</b>					
Crude Oil (bbls/d)	12,220	11,188	7,028	11,707	7,152
NGL (bbls/d)	2,772	2,621	2,612	2,697	2,557
Natural Gas (MMcf/d)	66.0	60.5	60.5	63.3	59.1
Royalty Production (BOE/d) <sup>(4)</sup>	25,992	23,892	19,723	24,954	19,559
<b>Realized Pricing</b>					
Crude Oil (\$/bbl)	122.01	97.99	67.01	110.60	61.29
NGL (\$/bbl)	70.25	55.66	35.13	63.20	34.18
Natural Gas (\$/Mcf)	6.14	4.20	2.49	5.21	2.47
Total (\$/BOE) <sup>(4)</sup>	80.44	62.64	36.16	71.94	34.35
Operating Netback per BOE <sup>(5)</sup>	77.69	56.97	33.43	67.80	31.07
Funds from Operations per BOE	67.48	48.83	31.48	58.58	29.74
<b>Oil Price Benchmarks</b>					
Western Texas Intermediate (WTI) (US\$/bbl)	108.57	94.29	66.07	101.43	61.95
Edmonton Light Sweet (\$/bbl)	138.18	115.66	77.24	126.92	71.91
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(12.80)	(14.53)	(11.49)	(13.67)	(11.98)
<b>Natural Gas Price Benchmarks</b>					
AECO monthly index (\$/Mcf)	6.27	4.59	2.85	5.43	2.89
AECO daily index (\$/Mcf)	7.24	4.74	3.09	5.99	3.12
Foreign Exchange Rate (US\$/CAD\$)	0.7820	0.7842	0.8146	0.7831	0.8022

(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 \$0.12 per common share was declared on June 7, 2022. The dividend was paid on July 15, 2022 to shareholders of record as at June 30, 2022.

(3) See Note 14 "Capital Management" in the interim condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021.

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

(5) Operating Netback per BOE is defined under the 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, July 19, 2022, 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/BI0ab01818277e447da41c1f36b21bb3e8>

## 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 Clearwater oil play, and contributions from acquisitions; the quality of PrairieSky's existing royalty asset portfolio; leasing being a leading indicator for third-party drilling and exploration on our royalty asset portfolio; expectations for very active drilling activity in Q3 2022 due in part to leasing and licensing activity; future collections from compliance activities and the expectation that cash administrative expense will remain below \$3.00 per BOE in 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, 2021. 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, 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, 2021 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 AND RATIOS

Certain measures and ratios in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("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. 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 (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.

"Operating Margin" represents operating netback (royalty production revenues less production and mineral taxes and cash administrative expenses) 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.

"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" 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 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.

## Cash Administrative Expenses

The following table presents the computation of cash administrative expenses:

(\$ millions)	Three Months Ended			Six Months Ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Total Administrative Expenses	\$ 7.0	\$ 15.0	\$ 7.3	\$ 22.0	\$ 17.5
Share-Based Compensation Expense	(1.8)	(9.7)	(2.5)	(11.5)	(7.7)
Cash Payments Made - Share Unit Awards	-	5.0	-	5.0	0.7
Cash Administrative Expenses	\$ 5.2	\$ 10.3	\$ 4.8	\$ 15.5	\$ 10.5

## 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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