

PrairieSky Announces 2019 Third Quarter Results

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CALGARY, Oct. 28, 2019 -

[PrairieSky Royalty Ltd.](#) ("PrairieSky" or the "Company") (TSX: PSK) is pleased to announce its third quarter ("Q3 2019") operating and financial results for the period ended September 30, 2019.

PRESIDENT'S MESSAGE

Third Quarter 2019 Highlights:

- Funds from Operations totaled \$48.8 million (\$0.21 per common share basic and diluted).
- Revenues totaled \$58.8 million, comprised of royalty production revenues of \$51.9 million and other revenues of \$6.9 million for the third quarter.
- Royalty production averaged 20,512 BOE per day (50% liquids).
- Operating netback of \$23.31 per BOE, down from \$27.21 per BOE in Q2 2019.
- Dividends declared in the second quarter of \$45.5 million (\$0.1950 per share), representing a payout ratio of 93%.
- Common share repurchases of \$4.2 million under the normal course issuer bid ("NCIB").

PrairieSky's high margin, low cost royalty structure generated \$48.8 million of funds from operations during Q3 2019. Funds from operations were used to pay \$45.5 million in dividends and cancel 0.2 million common shares for \$4.2 million. PrairieSky continues to execute on its strategy of delivering strong, risk adjusted returns, by focusing on leasing undeveloped land, monitoring cost control in our business, maintaining our strong balance sheet and selectively growing our royalty ownership by adding petroleum and natural gas royalty assets that complement PrairieSky's existing business and provide shareholders with medium-term to long-term value enhancement potential. During Q3 2019, PrairieSky increased its exposure to the Clearwater oil play by adding incremental gross overriding royalty acreage ("GORR lands") for \$3.9 million. We anticipate that over the next 12 months, close to 10% of drilling activity on PrairieSky lands will be focused on the Clearwater oil play that was acquired two years ago. Clearwater acreage now totals over 840,000 acres.

Headwinds in Canadian energy persist. Throughout 2019, the challenging commodity price environment, takeaway capacity constraints and government mandated curtailments on production in Alberta have resulted in continued pressure on Western Canadian drilling activity with the rig count down approximately 35% as compared to Q3 2018. Capital expenditures in 2019 are now anticipated to be under \$20 billion, approximately \$3.5 billion below the decade-low activity observed in 2016. This slowdown in activity across the Western Canadian Sedimentary Basin and on PrairieSky lands has resulted in lower royalty production volumes which totaled 20,512 BOE per day, down 8% from Q2 2019 royalty production volumes of 22,297 BOE per day. The third quarter has traditionally seen lower royalty production volumes as it trails the second quarter spring break-up period in Western Canada.

Revenue in Q3 2019 totaled \$58.8 million, which included royalty production revenue of \$51.9 million. Average oil royalty production volumes of 8,011 bbls per day were down 8% from 8,740 bbls per day in Q2 2019, generating revenue of \$43.4 million (Q2 2019 - \$52.1 million). Q3 2019 oil royalty production volumes were impacted by lower drilling and workover activity across Western Canada. Lower oil royalty production volumes combined with a decline in both average WTI benchmark pricing and wider differentials for heavy oil negatively impacted oil royalty production revenue in the quarter as compared to Q2 2019. Average NGL royalty production volumes of 2,334 bbls per day were down 13% from Q2 2019 NGL royalty production volumes of 2,690 bbls per day. NGL royalty production revenue totaled \$4.4 million, down from Q2 2019 NGL royalty production revenue of \$6.5 million, as lower average royalty production volumes combined with discounted NGL pricing resulted in lower NGL royalty revenue. Average natural gas production volumes of

61.0 MMcf per day, were down 6% from Q2 2019 natural gas royalty production volumes of 65.2 MMcf per day. Natural gas royalty production contributed \$4.1 million of revenue, down from \$4.5 million in Q2 2019 due to lower royalty production volumes combined with lower AECO benchmark pricing.

PrairieSky continued to see leasing interest from new and existing lessees with leasing focused on crude oil targets across Alberta and Saskatchewan. PrairieSky entered into 25 new leasing transactions with 19 different counterparties in the quarter generating \$4.4 million in bonus consideration. Lease rentals and other income added \$1.2 million and \$1.3 million, respectively, to revenue in the quarter.

Drilling activity is down year over year across Western Canada. There were 190 wells (97% oil) spud on PrairieSky lands in Q3 2019, a 21% reduction from 242 wells (95% oil) spud in Q3 2018. There were 70 wells spud on Fee Lands (Q3 2018 - 105 wells), 87 wells spud on GORR lands (Q3 2018 - 109 wells) and 33 wells spud on unitized lands (Q3 2018 - 28 wells). The average net royalty rate of wells spud in the quarter was approximately 8.1% as compared to 9.2% in Q2 2019 and 8.0% in Q3 2018. Activity was focused on the Saskatchewan Viking light oil play where 88 wells were spud in Q3 2019. In addition, there were 38 Alberta Viking oil wells, 9 Duvernay oil wells, 8 Clearwater oil wells, 6 Cardium oil wells and 36 other heavy and light oil wells spud in Q3 2019, targeting a number of different plays including the Nisku, Mannville and Mississippian. There were 5 natural gas wells spud in Q3 2019, including 2 in the liquids rich Montney play in the Pipestone area.

Cash administrative expenses totaled \$4.7 million or \$2.49 per BOE in the quarter, in line with Q2 2019 cash administrative expenses of \$4.9 million or \$2.41 per BOE. PrairieSky anticipates cash administrative expenses for the year will be below \$3.00 per BOE. PrairieSky's staff continued their focus on ensuring timely and accurate royalty payments, collecting compliance recoveries totaling \$1.8 million in the quarter bringing year to date compliance recoveries to \$5.6 million.

I would like to thank our shareholders for their continued support and our dedicated staff for their efforts. Please contact Pam Kazeil, our Chief Financial Officer, at 587-293-4089 or myself at 587-293-4005 with any questions.

Andrew Phillips, President & CEO

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes selected 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 financial statements and notes thereto for the fiscal period ended September 30, 2019 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
FINANCIAL				
Revenues	\$ 58.8	\$ 78.1	\$ 201.3	\$ 222.2
Funds from Operations	48.8	67.0	164.6	181.2
Per Share - basic ⁽¹⁾⁽²⁾	0.21	0.29	0.70	0.77
Per Share - diluted ⁽¹⁾⁽²⁾	0.21	0.28	0.70	0.77
Net Earnings and Comprehensive Income	16.7	28.5	87.1	73.4
Per Share - basic and diluted ⁽²⁾	0.07	0.12	0.37	0.31
Dividends declared ⁽³⁾	45.5	45.8	136.7	136.4
Per Share	0.1950	0.1950	0.5850	0.5800
Acquisitions	5.2	19.5	7.8	44.9

Working Capital (Deficiency) at period end	(7.4)	10.6	(7.4)	10.6
Shares Outstanding				
Shares outstanding at period end	233.3	234.7	233.3	234.7
Weighted average - basic	233.4	235.0	233.7	235.4
Weighted average - diluted	233.8	235.3	234.1	235.7
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	8,011	9,018	8,548	8,950
NGL (bbls/d)	2,334	2,503	2,536	2,391
Natural Gas (MMcf/d)	61.0	71.5	63.1	71.8
Total (BOE/d) ⁽⁴⁾	20,512	23,438	21,601	23,308
Realized Pricing				
Crude Oil (\$/bbl)	\$ 59.04	\$ 66.68	\$ 60.79	\$ 64.12
NGL (\$/bbl)	20.23	37.32	28.81	39.17
Natural Gas (\$/Mcf)	0.72	1.15	1.14	1.19
Total (\$/BOE) ⁽⁴⁾	\$ 27.50	\$ 33.11	\$ 30.78	\$ 32.31
Operating Netback per BOE ⁽¹⁾	\$ 23.31	\$ 30.47	\$ 26.73	\$ 29.23
Funds from Operations per BOE	\$ 25.86	\$ 31.07	\$ 27.91	\$ 28.48
Natural Gas Price Benchmarks				
AECO monthly index (\$/Mcf)	\$ 1.05	\$ 1.35	\$ 1.39	\$ 1.41
AECO daily index (\$/Mcf)	\$ 0.89	\$ 1.19	\$ 1.52	\$ 1.48
Foreign Exchange Rate (US\$/CAD\$)	0.7564	0.7683	0.7525	0.7768
Oil Price Benchmarks				
Western Texas Intermediate (WTI) (US\$/bbl)	\$ 56.50	\$ 68.81	\$ 57.07	\$ 66.29
Edmonton Light Sweet (\$/bbl)	\$ 68.48	\$ 77.15	\$ 69.62	\$ 75.57
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ (12.24)	\$ (22.20)	\$ (11.74)	\$ (21.92)

(1) A non-GAAP measure which is defined under the Non-GAAP Measures section in the MD&A.

(2) Net Earnings and Comprehensive Income and Funds from Operations per Common Share are calculated using the weighted average number of common shares outstanding.

(3) A dividend of \$0.065 per common share was declared on September 10, 2019. The dividend was paid on October 15, 2019 to shareholders of record as at September 30, 2019.

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

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, October 29, 2019 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 our expectations with respect to PrairieSky's business and growth strategy, anticipated administrative expenses per BOE for 2019, future collections from compliance activities and future activity on

PrairieSky's lands, including the percentage of total drilling activity in the Clearwater oil play and the Company's expectations regarding operator's approach to budgets and capital spending, and in particular the Company's expectation that capital spending in 2019 is expected to reach a decade low.

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, 2018. 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, 2018 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, operating netback per BOE, funds from operations per share basic and diluted, 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" represents the cash margin for products sold. Operating netback is calculated as royalty production revenues less production and mineral taxes and administrative expenses. Operating netback provides a consistent measure of the cash generating and operating performance of PrairieSky's royalty properties to assess the comparability of the underlying performance between years.

"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 production volumes for the period. Operating netback per BOE is used to assess the cash generating and operating performance per unit of product sold. Operating netback per BOE measures are commonly used in the crude oil and natural gas industry to assess performance comparability.

"Funds from Operations per Share" is calculated on a weighted average basis using basic and diluted common shares outstanding during the period. This measure, together with other measures, are used by the investment community to assess the source, sustainability and cash available for dividends and share repurchases.

"Cash Administrative Expenses" represents administrative expenses excluding the volatility and fluctuations in share-based compensation expense that was 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 plans as described in further detail in PrairieSky's MD&A. 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 production volumes for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis.

Funds from Operations Per Share Calculations – Basic and Diluted

The following table presents the computation of Funds from Operations per Share:

	Three months ended September 30		Nine months ended September 30	
<i>(millions, except per share data)</i>	2019	2018	2019	2018
Funds from Operations	\$ 48.8	\$ 67.0	\$ 164.6	\$ 181.2
Number of Common Shares:				
Weighted Average Common Shares Outstanding - Basic	233.4	235.0	233.7	235.4
Effect of Dilutive Securities	0.4	0.3	0.4	0.3
Weighted Average Common Shares Outstanding - Diluted	233.8	235.3	234.1	235.7
Funds from Operations per Share - Basic	\$ 0.21	\$ 0.29	\$ 0.70	\$ 0.77
Funds from Operations per Share - Diluted	\$ 0.21	\$ 0.28	\$ 0.70	\$ 0.77

Cash Administrative Expenses

The following table presents the computation of Cash Administrative Expenses:

	Three months ended September 30		Nine months ended September 30	
<i>(millions)</i>	2019	2018	2019	2018
Total Administrative Expenses	\$ 6.7	\$ 4.6	\$ 20.6	\$ 15.8
Share-Based Compensation Recovery (Expense)	(2.0)	0.6	(5.6)	1.1

Cash Payments made under RSU and PSU Plans ⁽¹⁾	-	-	2.2	5.1
Cash Administrative Expenses	\$ 4.7	\$ 5.2	\$ 17.2	\$ 22.0

⁽¹⁾ See PrairieSky's MD&A for details on its share-based compensation plans.

ABOUT PRAIRIESKY ROYALTY LTD.

PrairieSky is a royalty-focused 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 free cash flow and that represent the largest and most concentrated 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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PDF available: <http://ml.globenewswire.com/Resource/Download/75b6038f-cd37-41cd-83f8-6e42ebbb4d40>

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