



## PRAIRIESKY ANNOUNCES THIRD QUARTER 2018 RESULTS

Calgary, Alberta (October 29, 2018)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its third quarter operating and financial results for the period ended September 30, 2018.

### PRESIDENT'S MESSAGE

#### Third Quarter 2018 Highlights:

- Total revenues of \$78.1 million comprised of royalty production revenues of \$71.4 million and other revenues of \$6.7 million.
- Funds from Operations of \$67.0 million (\$0.29 per share basic and \$0.28 per share diluted), an increase of 7% from Q2 2018.
- Average royalty production of 23,438 BOE per day (49% liquids), up 2% from 22,944 BOE (50% liquids) in Q2 2018.
- Dividends declared in the second quarter of \$45.8 million (\$0.1950 per share), representing a payout ratio of 68% (payout ratio of 87% including \$12.5 million used to purchase common shares under the normal course issuer bid ("**NCIB**")).
- Completed acquisitions of producing and non-producing royalty interests, as well as seismic, for aggregate cash consideration of \$19.5 million.
- Maintained a strong balance sheet with \$10.6 million of positive working capital as of September 30, 2018.

Q3 2018 was a strong quarter for PrairieSky as our high-margin royalty production, low cost structure and unparalleled land position continued to deliver strong funds flow and growth opportunities with no capital requirements. During the quarter, PrairieSky generated funds from operations of \$67.0 million which was up 7% from Q2 2018, as increased royalty production volumes offset the impact of wider differentials for both light and heavy oil. Royalty revenues from 9,018 bbls per day of crude oil royalty production and 2,503 bbls per day of NGL production totaled \$64.0 million or 90% of total royalty production revenues. Natural gas pricing continued to be challenged through the summer months adding an additional \$7.4 million in royalty revenues generated from 71.5 Mmcf per day of natural gas royalty production. PrairieSky entered into 29 leasing arrangements with 28 different counterparties in Q3 2018, earning bonus consideration of \$5.3 million. Consistent with the first half of 2018, leasing activity was focused on crude oil targets across a number of plays and areas.

The post-breakup third quarter was active on PrairieSky lands. Q3 2018 saw 242 wells (95% oil) spud on PrairieSky lands as compared to 168 wells in Q2 2018 (96% oil) and 245 wells (94% oil) in Q3 2017. There were 105 wells drilled on Fee Lands (Q3 2017 - 125 wells) with an additional 109 and 28 wells spud on our gross overriding royalty lands and unitized lands (Q3 2017 - 71 and 49 wells), respectively. The average net royalty rate of wells spud in the quarter was approximately 8%, up from approximately 6% in Q2 2018 and down from approximately 10% in Q3 2017 due to accelerated activity in several plays where PrairieSky has gross overriding royalties. A large portion of the gross overriding royalty activity relates to PrairieSky land fund arrangements where PrairieSky funds land acquisitions with our excess free cash flow in exchange for a royalty. The Viking light oil play in Alberta and Saskatchewan continued to be active with 115 wells spud. The Viking oil play continues to attract producer capital due to the robust economics and quick payouts of the play. There were 16 wells drilled in the Duvernay (12 East Shale Duvernay and 4 Kaybob Duvernay) on both our Fee Lands and gross overriding royalty lands, with an

average royalty rate of approximately 5%. PrairieSky expects these wells to be on production in late Q4 2018, early Q1 2019. Other active light and heavy oil plays included the Cardium, Mannville, Mississippian, Nisku, Clearwater and Shaunavon. Limited natural gas drilling was focused on the Kaybob Duvernay and Mannville.

PrairieSky used its funds from operations to pay dividends of \$45.8 million and \$12.5 million to purchase 514,200 common shares under PrairieSky's NCIB during the quarter. PrairieSky maintains a strong balance sheet with positive working capital of \$10.6 million at September 30, 2018

During the quarter, PrairieSky acquired additional royalty interests, with well commitments, in the emerging Clearwater oil play bringing PrairieSky's land holdings to over 700,000 acres. PrairieSky also selectively acquired royalty interests in producing properties in Southwest Saskatchewan and in the Deep Basin area of Alberta which added approximately 165 BOE per day (approximately 50% liquids) of royalty production, as well as proprietary seismic assets. In addition, PrairieSky acquired non-producing royalty interests across a number of plays through its land fund arrangements with a select group of producers.

Our compliance team recovered \$2.1 million on historical royalty compliance issues in Q3 2018, bringing year-to-date compliance collections to \$7.7 million. These recoveries will fluctuate quarter to quarter but our team continues to focus on collections and anticipates further collections through the balance of 2018. PrairieSky's cash administrative expenses totaled \$2.41 per BOE in the quarter. PrairieSky anticipates cash administrative expenses for the year will be in the low \$3.00 per BOE range.

I would like to thank our shareholders for their continued support as well as 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 consolidated financial statements and notes thereto for the three and nine months ended September 30, 2018 is available on SEDAR at [www.sedar.com](http://www.sedar.com) and PrairieSky's website at [www.prairiesky.com](http://www.prairiesky.com).

## FINANCIAL RESULTS

(\$ Millions, unless otherwise noted)	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>FINANCIAL</b>				
Revenues	\$ 78.1	\$ 71.7	\$ 222.2	\$ 254.2
<b>Funds from Operations</b>	<b>67.0</b>	66.8	<b>181.2</b>	209.1
Per Share – basic <sup>(1)(2)</sup>	<b>0.29</b>	0.28	<b>0.77</b>	0.88
Per Share – diluted <sup>(1)(2)</sup>	<b>0.28</b>	0.28	<b>0.77</b>	0.88
<b>Net Earnings and Comprehensive Income</b>	<b>28.5</b>	19.4	<b>73.4</b>	80.7
Per Share – basic and diluted <sup>(2)</sup>	<b>0.12</b>	0.08	<b>0.31</b>	0.34
Dividends declared <sup>(3)</sup>	<b>45.8</b>	44.3	<b>136.4</b>	132.0
Per Share	<b>0.1950</b>	0.1875	<b>0.5800</b>	0.5575
Acquisitions including non-cash consideration	<b>19.5</b>	20.3	<b>44.9</b>	299.7
Working Capital at period end	<b>10.6</b>	98.7	<b>10.6</b>	98.7
<b>Shares Outstanding (millions)</b>				
Shares outstanding at period end	<b>234.7</b>	236.3	<b>234.7</b>	236.3
Weighted average – basic	<b>235.0</b>	236.4	<b>235.4</b>	236.6
Weighted average – diluted	<b>235.3</b>	236.7	<b>235.7</b>	236.9
<b>OPERATIONAL</b>				
<b>Royalty Production Volumes</b>				
Crude Oil (bbls/d)	<b>9,018</b>	9,033	<b>8,950</b>	9,614
NGL (bbls/d)	<b>2,503</b>	2,600	<b>2,391</b>	2,753
Natural Gas (MMcf/d)	<b>71.5</b>	75.3	<b>71.8</b>	79.1
Total (BOE/d) <sup>(4)</sup>	<b>23,438</b>	24,183	<b>23,308</b>	25,550
<b>Realized Pricing</b>				
Crude Oil (\$/bbl)	\$ <b>66.68</b>	\$ 47.61	\$ <b>64.12</b>	\$ 51.22
NGL (\$/bbl)	<b>37.32</b>	25.02	<b>39.17</b>	28.30
Natural Gas (\$/Mcf)	<b>1.15</b>	1.25	<b>1.19</b>	1.90
Total (\$/BOE) <sup>(4)</sup>	\$ <b>33.11</b>	\$ 24.36	\$ <b>32.31</b>	\$ 28.20
<b>Operating Netback per BOE<sup>(1)</sup></b>	\$ <b>30.47</b>	\$ 19.77	\$ <b>29.23</b>	\$ 24.17
<b>Funds from Operations per BOE</b>	\$ <b>31.07</b>	\$ 30.02	\$ <b>28.48</b>	\$ 29.98
<b>Natural Gas Price Benchmarks</b>				
AECO monthly index (\$/Mcf)	\$ <b>1.35</b>	\$ 2.05	\$ <b>1.41</b>	\$ 2.59
AECO daily index (\$/Mcf)	\$ <b>1.19</b>	\$ 1.61	\$ <b>1.48</b>	\$ 2.37
<b>Foreign Exchange Rate (US\$/CAD\$)</b>	<b>0.7683</b>	0.7950	<b>0.7768</b>	0.7649
<b>Oil Price Benchmarks</b>				
West Texas Intermediate (WTI) (US\$/bbl)	\$ <b>68.81</b>	\$ 48.15	\$ <b>66.29</b>	\$ 50.07
Edmonton Light Sweet (\$/bbl)	\$ <b>77.15</b>	\$ 57.46	\$ <b>75.57</b>	\$ 62.19
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ <b>(22.20)</b>	\$ (9.94)	\$ <b>(21.92)</b>	\$ (11.87)

(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, 2018. The dividend was paid on October 15, 2018 to shareholders of record as at September 28, 2018.

(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 30, 2018 beginning at 6:30 a.m. MT (8:30 a.m. ET). 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, timing of new Duvernay wells on stream, future potential and prospectivity of new resource plays and acquisition opportunities, additional fee land leasing activities, expected cash administrative expenses per BOE for 2018 and future collections from compliance activities.

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, 2017. 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 period ended December 31, 2017 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**

Certain measures in this document and PrairieSky's MD&A do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and 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. Further information can be found in the Non-GAAP Measures section of PrairieSky's MD&A.

## **ABOUT PRAIRIESKY ROYALTY LTD.**

PrairieSky is a royalty-focused company, generating royalty 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**

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