



PRAIRIESKY ANNOUNCES SECOND QUARTER 2018 RESULTS

Calgary, Alberta (July 23, 2018)

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

PRESIDENT'S MESSAGE

Second Quarter 2018 Highlights:

- Total revenues of \$76.2 million comprised of royalty production revenues of \$70.1 million and other revenues of \$6.1 million.
- Average royalty production of 22,944 BOE per day (50% liquids).
- Funds from Operations of \$62.4 million (\$0.27 per share basic and \$0.26 per share diluted), an increase of 20% from Q1 2018.
- Dividends declared in the second quarter of \$45.9 million (\$0.1950 per share), representing a payout ratio of 74% (payout ratio of 86% including \$8.0 million used to purchase common shares under the normal course issuer bid ("**NCIB**")).
- Maintained a strong balance sheet with \$21.1 million of positive working capital and nil debt as of June 30, 2018

PrairieSky generated funds from operations of \$62.4 million during Q2 2018, an increase of 20% from Q1 2018, as increased oil volumes and strong crude oil pricing outweighed declines in natural gas volumes and pricing. Royalty revenues from 9,098 bbls per day of crude oil production and 2,279 bbls per day of NGL production totaled \$64.8 million or 92% of total royalty production revenues. An additional \$5.3 million in royalty production revenue was generated from natural gas. Drilling and leasing activity targeting oil have remained strong, with spud activity in Q2 2018 up 62% compared to Q2 2017. The second quarter of each calendar year has historically been the least active with spring breakup conditions and road bans in several parts of western Canada.

Producers spud 168 wells (96% oil) on PrairieSky lands during the second quarter which was up from 104 wells (92% oil) in Q2 2017. Activity was weighted towards our gross overriding royalty lands and unit production with 78 and 44 wells drilled (Q2 2017 - 29 and 18 wells), respectively, and 46 wells drilled on Fee Lands (Q2 2017 - 57 wells). The resurgence in drilling on unitized pools represents new technology being applied to pools discovered decades ago. The average net royalty of wells spud in the quarter was approximately 6%, down from approximately 10% in Q2 2017. Activity remained focused on the Viking light oil play in western Saskatchewan and eastern Alberta with 113 wells spud in the quarter (Q2 2017 - 61 wells). The Alberta Viking now represents approximately 35% of total Viking activity on our lands. The Viking continues to be active due to the robust economics and quick payouts of this light oil play. Other active plays included the East Shale Duvernay with 11 wells spud and light and heavy oil plays including the Cardium, Mannville and Mississippian. Limited natural gas activity was focused on the liquids rich Montney resource play in northwest Alberta. In 2017 and early 2018, PrairieSky partnered with an established Montney producer to acquire lands prospective for Montney light oil in the Two Rivers region of British Columbia, in exchange for an overriding royalty interest on a 70 section (45,000 acre) land base.

It was an active quarter for leasing across our land base. PrairieSky entered into 33 leasing arrangements with 30 different counterparties, earning bonus consideration of \$3.7 million, up from \$1.1 million in Q1 2018. Leasing activity was focused on crude oil targets across a number of areas.

During the quarter, funds from operations were used to pay dividends of \$45.9 million and \$8.0 million was used to purchase common shares under PrairieSky's NCIB, which was increased on May 4, 2018 to \$50 million over the following 12-month period. At June 30, 2018, PrairieSky had positive working capital of \$21.1 million, including \$10.0 million of cash on hand and no debt. PrairieSky renewed and extended its credit facility in the quarter which provides flexibility for royalty acquisitions which meet our criteria. At June 30, 2018, the facility is undrawn.

During the quarter, PrairieSky acquired additional royalty interests in the East Shale Duvernay light oil play in Alberta and a Shaunavon oil play in Southwest Saskatchewan, with well commitments. PrairieSky also selectively acquired royalty interests across a number of plays through its land fund arrangements with a select group of producers. None of the acquired royalty interests come with meaningful associated royalty production. PrairieSky continues to evaluate royalty opportunities and will remain selective and disciplined in our approach to acquisition opportunities.

PrairieSky's cash administrative expenses totaled \$2.83 per boe in the quarter. PrairieSky anticipates cash administrative expenses for the year will be in the low \$3.00 per boe range. Our compliance team continued to identify and collect historical royalty compliance issues, recovering \$3.6 million in the quarter. Compliance recoveries will fluctuate quarter to quarter but our team continues to focus on collections and anticipates further collections throughout 2018.

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 three and six months ended June 30, 2018 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

FINANCIAL RESULTS

| <i>(\$ Millions, unless otherwise noted)</i> | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|--|--|--|--------------------------------------|--------------------------------------|
| FINANCIAL | | | | |
| Revenues | \$ 76.2 | \$ 102.2 | \$ 144.1 | \$ 182.5 |
| Funds from Operations | 62.4 | 75.0 | 114.2 | 142.3 |
| Per Share – basic ⁽¹⁾⁽²⁾ | 0.27 | 0.32 | 0.48 | 0.60 |
| Per Share –diluted ⁽¹⁾⁽²⁾ | 0.26 | 0.32 | 0.48 | 0.60 |
| Net Earnings and Comprehensive Income | 25.1 | 40.5 | 44.9 | 61.3 |
| Per Share – basic and diluted ⁽²⁾ | 0.11 | 0.17 | 0.19 | 0.26 |
| Dividends declared ⁽³⁾ | 45.9 | 44.5 | 90.6 | 87.7 |
| Per Share | 0.1950 | 0.1875 | 0.3850 | 0.3700 |
| Acquisitions including non-cash consideration | 4.2 | 24.9 | 25.4 | 279.4 |
| Working Capital at period end | 21.1 | 108.0 | 21.1 | 108.0 |
| Shares Outstanding (millions) | | | | |
| Shares outstanding at period end | 235.2 | 236.6 | 235.2 | 236.6 |
| Weighted average – basic | 235.4 | 236.8 | 235.5 | 236.7 |
| Weighted average – diluted | 235.7 | 237.1 | 235.8 | 237.0 |
| OPERATIONAL | | | | |
| Royalty Production Volumes | | | | |
| Crude Oil (bbls/d) | 9,098 | 9,609 | 8,916 | 9,910 |
| NGL (bbls/d) | 2,279 | 2,664 | 2,333 | 2,830 |
| Natural Gas (MMcf/d) | 69.4 | 80.6 | 71.9 | 81.1 |
| Total (BOE/d) ⁽⁴⁾ | 22,944 | 25,706 | 23,232 | 26,257 |
| Realized Pricing | | | | |
| Crude Oil (\$/bbl) | \$ 68.92 | \$ 52.98 | \$ 62.80 | \$ 52.89 |
| NGL (\$/bbl) | 37.44 | 28.60 | 40.18 | 29.83 |
| Natural Gas (\$/Mcf) | 0.83 | 2.15 | 1.22 | 2.20 |
| Total (\$/BOE) ⁽⁴⁾ | \$ 33.57 | \$ 29.51 | \$ 31.91 | \$ 29.99 |
| Operating Netback per BOE⁽¹⁾ | \$ 30.22 | \$ 25.28 | \$ 28.61 | \$ 26.22 |
| Funds from Operations per BOE | \$ 29.89 | \$ 32.06 | \$ 27.16 | \$ 29.94 |
| Natural Gas Price Benchmarks | | | | |
| AECO monthly index (\$/Mcf) | \$ 1.03 | \$ 2.77 | \$ 1.44 | \$ 2.86 |
| AECO daily index (\$/Mcf) | \$ 1.19 | \$ 2.78 | \$ 1.63 | \$ 2.75 |
| Foreign Exchange Rate (US\$/CAD\$) | 0.7717 | 0.7437 | 0.7811 | 0.7499 |
| Oil Price Benchmarks | | | | |
| West Texas Intermediate (WTI) (US\$/bbl) | \$ 67.31 | \$ 50.27 | \$ 65.03 | \$ 51.03 |
| Edmonton Light Sweet (\$/bbl) | \$ 77.79 | \$ 64.81 | \$ 74.78 | \$ 64.55 |
| Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl) | \$ (19.27) | \$ (11.13) | \$ (21.77) | \$ (12.84) |

(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 June 12, 2018. The dividend was paid on July 16, 2018 to shareholders of record as at June 29, 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, July 24, 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, 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 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 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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