



## PRAIRIESKY ANNOUNCES FIRST QUARTER 2018 RESULTS

Calgary, Alberta (April 23, 2018)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its first quarter operating and financial results for the period ended March 31, 2018.

### PRESIDENT'S MESSAGE

#### First Quarter 2018 Highlights:

- Total revenues of \$67.9 million comprised of royalty production revenues of \$64.1 million and other revenues of \$3.8 million for the first quarter
- Average royalty production of 23,536 BOE per day (47% liquids) for the first quarter
- Funds from Operations of \$51.8 million (\$0.22 per common share)
- Dividends declared in the first quarter of \$44.7 million (\$0.19 per share)
- Completed acquisitions of royalty interests in the quarter, funded entirely from cash on hand, for aggregate consideration of \$21.2 million
- Maintained a strong balance sheet with \$17.3 million of positive working capital and nil debt as of March 31, 2018

During the first quarter, PrairieSky generated funds from operations of \$51.8 million, almost exclusively from the collection of royalty revenue on production volumes of 23,536 boe per day. PrairieSky entered into 28 leasing arrangements with 22 different counterparties in the first quarter across a number of new and existing plays, earning bonus consideration of \$1.1 million. PrairieSky saw 198 wells spud on its lands, slightly up from the same period in 2017 and roughly flat with Q4 2017. Wells spud on PrairieSky royalty lands continued to be focused on the Viking light oil play in western Saskatchewan and eastern Alberta. Other active plays included the liquids rich Montney resource play in northeast British Columbia and light oil plays such as the Cardium, Mannville and Bakken. In addition, PrairieSky saw activity on its emerging crude oil plays in the quarter including 3 wells spud on our East Shale Duvernay royalty lands and 7 wells in the Clearwater oil play.

During the quarter, PrairieSky acquired additional royalty interests on the emerging East Shale Duvernay light oil play with well commitments, as well as approximately 80 sections of land in the Deep Basin of Alberta and British Columbia. PrairieSky continues to evaluate royalty opportunities and will remain selective and disciplined in our evaluation of royalty acquisition opportunities.

Funds from operations were used to pay dividends of \$44.2 million and an additional \$15.4 million was used to purchase common shares under PrairieSky's normal course issuer bid ("**NCIB**"). At March 31, 2018, PrairieSky had positive working capital of \$17.3 million, including \$12.1 million of cash on hand and no debt.

PrairieSky will apply to the Toronto Stock Exchange ("**TSX**") to renew its NCIB for an additional one-year period. Subject to regulatory approval, PrairieSky currently intends to allocate up to \$50 million over the next 12 months (approximately \$4.2 million per month) to repurchase common shares. PrairieSky intends to purchase from time to time up to 1,750,000 of its currently issued and outstanding common shares (representing approximately 0.7% of the common shares issued and outstanding as of April 23, 2018) over a period of twelve months. Any common shares that are purchased under the NCIB will be cancelled

upon their purchase by PrairieSky. Management believes a normal course issuer bid provides an opportunity to use excess cash resources to reduce PrairieSky's share count over time, representing an investment in PrairieSky's high quality asset base and enhancing value for remaining shareholders. Since instituting the normal course issuer bid in 2016, PrairieSky has purchased and cancelled an aggregate of 2,858,700 common shares at a weighted average price per share of \$29.22.

PrairieSky's total administrative costs were \$2.55 per boe in the quarter including cash administrative expenses of \$5.15 per boe, as a result of annual long-term incentive settlements for all employees in the quarter, partially offset by a reduction to non-cash administrative expense. 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 \$2.0 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 fiscal period ended March 31, 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

<i>(\$ Millions, except per share data or as otherwise noted)</i>	Three months ended March 31, 2018	Three months ended March 31, 2017
<b>FINANCIAL</b>		
Revenues	\$ 67.9	\$ 80.3
<b>Funds from Operations</b>	51.8	67.3
Per Share – basic and diluted <sup>(1)(2)</sup>	0.22	0.28
<b>Net Earnings and Comprehensive Income</b>	19.8	20.8
Per Share – basic and diluted <sup>(2)</sup>	0.08	0.09
Dividends declared <sup>(3)</sup>	44.7	43.2
Per Share	0.1900	0.1825
Acquisitions including non-cash consideration	21.2	254.5
Working Capital at period end	17.3	97.6
<b>Shares Outstanding (millions)</b>		
Shares outstanding at period end	235.5	237.0
Weighted average – basic	235.7	236.5
Weighted average – diluted	236.1	236.9
<b>OPERATIONAL</b>		
<b>Royalty Production Volumes</b>		
Crude Oil (bbls/d)	8,731	10,214
NGL (bbls/d)	2,388	2,998
Natural Gas (MMcf/d)	74.5	81.6
Total (BOE/d) <sup>(4)</sup>	23,536	26,812
<b>Realized Pricing</b>		
Crude Oil (\$/bbl)	\$ 56.35	\$ 52.81
NGL (\$/bbl)	42.83	30.94
Natural Gas (\$/Mcf)	1.58	2.26
Total (\$/BOE) <sup>(4)</sup>	\$ 30.26	\$ 30.45
<b>Operating Netback per BOE<sup>(1)</sup></b>	\$ 27.00	\$ 27.14
<b>Funds from Operations per BOE</b>	\$ 24.45	\$ 27.89
<b>Natural Gas Price Benchmark</b>		
AECO (\$/Mcf)	\$ 1.82	\$ 2.94
<b>Foreign Exchange Rate (US\$/CAD\$)</b>	0.7905	0.7554
<b>Oil Price Benchmarks</b>		
West Texas Intermediate (WTI) (US\$/bbl)	\$ 62.74	\$ 51.79
Edmonton Light Sweet (\$/bbl)	\$ 71.77	\$ 64.29

(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 March 14, 2018. The dividend was paid on April 16, 2018 to shareholders of record as at March 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, April 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)**

## NORMAL COURSE ISSUER BID

PrairieSky will apply to extend its NCIB for an additional one-year period. Under the renewed NCIB, and subject to prior approval of the TSX, PrairieSky intends to repurchase up to \$50 million of common shares (approximately \$4.2 million per month) over a 12-month period. The NCIB has been approved by the Company's board of directors; however, it is subject to acceptance by the TSX and, if accepted, will be made in accordance with the applicable rules and policies of the TSX and applicable securities laws. Under the NCIB, common shares may be repurchased in open market transactions on the TSX, and/or other Canadian exchanges or alternative trading systems. The price that PrairieSky will pay for common shares in open market transactions will be the market price at the time of purchase. Common shares acquired under the NCIB will be cancelled.

PrairieSky will file a Notice of Intention to Make a NCIB to purchase and cancel up to 1,750,000 currently issued and outstanding common shares, representing approximately 0.7% of the 235,462,341 issued and outstanding common shares as of April 23, 2018. The NCIB is expected to commence shortly after regulatory approvals are obtained. Common shares may be repurchased under the program over a period of up to one year. To date, PrairieSky has purchased and cancelled an aggregate of 1,429,600 common shares at a weighted average price per share of \$30.46 under a normal course issuer bid that commenced on May 4, 2017 and runs to May 3, 2018.

PrairieSky will be entering into an automatic purchase plan with its broker in order to facilitate purchases of its common shares. The automatic purchase plan allows for purchases by the Company of its common shares at any time, including, without limitation, when the Company would ordinarily not be permitted to make purchases due to regulatory restriction or self-imposed blackout periods. Purchases will be made by PrairieSky's broker based upon the parameters prescribed by the TSX and the terms of the parties' written agreement.

PrairieSky believes renewing the NCIB as part of its capital management strategy is in the best interests of the Company and represents an attractive opportunity to use cash resources to reduce PrairieSky's share count over time and thereby enhance the value of the shares held by remaining shareholders. The Board currently intends to evaluate the NCIB, and the level of purchases thereunder, on an annual basis in conjunction with PrairieSky's annual dividend review. The next regularly scheduled dividend review will be in February 2019.

While PrairieSky currently intends to only use up to a maximum of \$50 million to effect NCIB purchases over the next 12 months, the Company's board of directors may consider, from time to time, applying to the TSX to increase the amount of NCIB purchases. Decisions regarding increases to the NCIB will be based on market conditions, share price, best use of funds from operations, and other factors including other options to expand our portfolio of royalty assets.

## 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, additional fee land leasing activities, the potential to increase the size of the NCIB in the future, the dollar amount and number of common shares which may be purchased under the NCIB, and PrairieSky's belief that repurchasing such common shares under the NCIB is a good investment of PrairieSky's cash resources.

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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