

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. **Name and Address of Company:**

PrairieSky Royalty Ltd. ("**PrairieSky**")
1700, 350-7th Avenue S.W.
Calgary, Alberta T2P 3N9

2. **Date of Material Change:**

November 29, 2021

3. **News Release:**

A news release disclosing in detail the material summarized in this material change report was issued by PrairieSky on November 29, 2021 and disseminated through the facilities of a recognized news service and would have been received by the securities commissions where PrairieSky is a reporting issuer in the normal course of its dissemination.

4. **Summary of Material Change:**

On November 29, 2021, PrairieSky announced that it had entered into a definitive agreement (the "**Acquisition Agreement**") with Heritage Resource Limited Partnership, Heritage Royalty Resource Corp. and Heritage Manitoba Holdings Inc. (collectively, the "**Vendors**") to acquire: (i) over 1.9 million acres of royalty lands throughout Alberta, Saskatchewan and Manitoba (the "**Royalty Lands**") including over 1.7 million net acres of fee simple mineral title lands; and (ii) extensive seismic assets that are complementary to the Royalty Lands (the "**Acquired Seismic**"), for total cash consideration of \$728 million, subject to certain customary adjustments (the "**Acquisition**").

Concurrent with the announcement of the Acquisition, PrairieSky announced that it had entered into an agreement for an approximate \$200 million bought deal equity financing (the "**Financing**") whereby a syndicate of underwriters led by TD Securities Inc. and RBC Dominion Securities Inc. as joint bookrunners and co-led by BMO Nesbitt Burns Inc. and CIBC World Markets Inc. (collectively, the "**Underwriters**"), have agreed to purchase 14,930,000 common shares of PrairieSky ("**Common Shares**") at a price of \$13.40 per Common Share (the "**Issue Price**").

5. **Full Description of Material Change:**

5.1 **Full Description of Material Change**

The Acquisition

On November 29, 2021, PrairieSky entered into the Acquisition Agreement to acquire the Royalty Lands and the Acquired Seismic for total cash consideration of \$728 million, subject to certain customary adjustments. In connection with the execution of the Acquisition Agreement, PrairieSky paid a deposit of \$36.4 million into escrow pending completion of the Acquisition. The Acquisition will be funded through a new two-year, non-revolving \$500 million term loan provided by The Toronto Dominion Bank (the "**Term Loan**") and the Financing.

The Acquisition includes estimated annual royalty production of 2,700 BOE per day (92% liquids), from which PrairieSky expects to generate approximately \$65 million of royalty revenue in 2022, excluding leasing and other revenues associated with the Royalty Lands.

The Acquisition is expected to close on or about December 15, 2021, with an effective date of December 31, 2021. The Acquisition is subject to applicable regulatory approvals and satisfaction of certain other closing conditions customary in transactions of this nature, including approval under the *Competition Act* (Canada).

A copy of the purchase and sale agreement is available for viewing on PrairieSky's SEDAR profile at www.sedar.com.

The Financing

Concurrent with the announcement of the Acquisition, on November 29, 2021, PrairieSky entered into an agreement providing for the Financing whereby the Underwriters, led by TD Securities Inc. and RBC Dominion Securities Inc. as joint bookrunners and co-led by BMO Nesbitt Burns Inc. and CIBC World Markets Inc., have agreed to purchase 14,930,000 Common Shares at the Issue Price. PrairieSky has granted the Underwriters an option, exercisable at any time until 30 days following the closing of the Financing, to purchase up to an additional 15% of the Common Shares issued pursuant to the Financing to cover over-allotments, if any (the "**Over-Allotment Option**"). If the Over-Allotment Option is exercised in full, PrairieSky will receive aggregate gross proceeds of approximately \$230 million.

The Common Shares issued pursuant to the Financing will be eligible to receive the quarterly dividend expected to be declared on or about December 8, 2021 and payable to shareholders of record on December 31, 2021. The dividend is expected to be paid on January 17, 2022. PrairieSky will use the net proceeds of the Financing to fund a portion of the purchase price for the Acquisition. The Financing is subject to certain conditions including customary regulatory and Toronto Stock Exchange ("**TSX**") approvals. Closing of the Financing is not conditional on closing of the Acquisition. The Common Shares will be offered in all provinces and territories of Canada by way of a short form prospectus and in the United States pursuant to the exemptions from the registration statement requirements under the United States Securities Act of 1933, as amended (the "**United States Securities Act**"). The closing of the Financing is expected to occur on or about December 15, 2021. Closing of the Acquisition is not subject to closing of the Financing as PrairieSky has financial capacity under the Credit Facility (as defined below) and the Term Loan to complete the Acquisition.

Term Loan

In connection with the Acquisition, PrairieSky has entered into a binding agreement with The Toronto Dominion Bank to provide PrairieSky with the Term Loan. The Term Loan will include financial and other covenants and pricing identical to PrairieSky's existing \$425 million revolving credit facility which matures on February 28, 2025 (the "**Credit Facility**"). Funding under the Term Loan will take place concurrently with closing of the Acquisition. To the extent the available credit under the Credit Facility is expanded beyond its current capacity prior to closing of the Acquisition, the amount of credit available under the Term Loan will be reduced in an equivalent amount.

5.2 **Disclosure of Restructuring Transaction**

N/A

6. **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:**

N/A

7. **Omitted Information:**

N/A

8. **Executive Officer:**

The name and business number of the executive officer of PrairieSky who is knowledgeable of the material change and this report is Cameron M. Proctor, Chief Operating Officer of PrairieSky, whose business telephone number is (587) 293-4000.

9. **Date of Report:**

December 7, 2021

This material change report does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

FORWARD-LOOKING STATEMENTS & INFORMATION

This material change report 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 material change report include our expectations with respect to 2022 royalty revenue and production from the Royalty Lands, potential development of and production from the acquired Royalty Lands and the timing thereof, the receipt of all required regulatory approvals for the Acquisition on or prior to the closing of the Acquisition, the closing and timing of closing of the Acquisition and the Financing, the use of proceeds of the Financing, potential expansion of available credit under the Credit Facility and the size, closing and timing of the Term Loan.

The information in this material change report could differ materially from those anticipated in the forward-looking statements as a result of the risk factors set forth below: failure to complete the Acquisition in all material respects in accordance with the agreement with the Vendors or at all; the inability to obtain regulatory, TSX, and other required approvals in connection with the Acquisition and the Financing, as applicable, and within the timeframes contemplated; failure to realize the anticipated benefits of the Acquisition; the Royalty Lands will not be developed in the manner anticipated by PrairieSky or at all; non-compliance with contractual royalty terms or payment or delivery delinquencies in respect of the acquired Royalty Lands and associated production, including the credit risk associated therewith; volatility in the demand, supply and market prices for petroleum products; volatility in exchange rates; the impacts of COVID-19 and existing and future variants thereof, including such impacts with respect to global commodity prices; liabilities inherent in petroleum and natural gas operations; uncertainties associated with estimating crude oil, natural gas and natural gas liquids reserves and future production levels; increased costs incurred by third-party operators on the acquired Royalty Lands; incorrect assessments of the value of the assets by PrairieSky; risks related to the environment and changing environmental laws in relation to the operations conducted on the assets, including carbon pricing; technological advances; claims made or legal actions brought or realized against PrairieSky, its properties or assets (including the acquired assets); a failure by PrairieSky to hire or retain key personnel; a decrease or elimination of the payment of dividends by PrairieSky as a result of a board determination or restrictions under applicable agreements or corporate laws; general economic, market and business conditions; and changes in tax or environmental laws or royalty or incentive programs relating to the oil and natural gas industry. Risks related to PrairieSky's business and the assets generally are described in more detail in PrairieSky's annual information form for the year ended December 31, 2020, which is available under PrairieSky's profile on SEDAR at www.sedar.com.

With respect to forward-looking statements contained in this material change report, the following assumptions have been made including: that the Acquisition, Financing and Term Loan will close on the terms and on the timing expected; potential expansion of available credit under the Credit Facility and reduction in the size of the Term Loan, that the required regulatory approvals and satisfaction of all conditions to closing of the Acquisition, and the Financing will be obtained and on the timeframes contemplated; that the Acquisition will be successfully completed and PrairieSky will obtain the anticipated benefits of the Acquisition; that lessees and third-party operators will comply with, and PrairieSky will enforce terms and contractual provisions, as applicable in order to receive payments in respect of the assets; that third-party operators will operate in a safe, efficient and effective manner; that lessees have the willingness and financial capability to continue to develop and invest additional capital in the acquired Royalty Lands; that lessees are able to obtain financing on acceptable terms to fund exploration and development capital expenditures; as to the field production rates, decline rates and the well performance and characteristics of the acquired assets; the timing, cost and ability of third parties, to access, maintain or expand necessary facilities and/or secure adequate product transportation and storage; the ability of third-party operators to successfully market their respective petroleum products or, for royalty payments taken-in-kind by PrairieSky, if any, the ability of PrairieSky or a third-party marketer to successfully market PrairieSky's in-kind petroleum products; the ability of PrairieSky to obtain and retain qualified staff and services in a timely and cost efficient manner; the absence of any material litigation or claims against PrairieSky or the assets; the general stability of the economic and political environment and the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which PrairieSky has an interest in oil and natural gas properties; and future crude oil, natural gas and natural gas liquids prices and currency, exchange and interest rates. In addition, the 2022 revenue estimates contained in this material change report are based on the following: a West Texas Intermediate price of US\$68/bbl, an AECO benchmark price of US\$4.25/Mcf and a USD/CDN exchange rate of 0.78.

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, royalties, 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, 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 management's discussion and analysis, and PrairieSky's annual information form for the year ended December 31, 2020 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedar.com.

Further, any forward-looking statement is made only as of the date of this material change report, 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.

Certain statements included in this material change report may be considered "financial outlook" or "FOFI" for purposes of applicable securities laws, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. The actual results of operations of PrairieSky and the resulting financial results will likely vary from the amounts set forth in this material change report and such variation may be material. PrairieSky and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgements. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. FOFI contained in this material change report was made as of the date of this material change report and was provided for the purpose of providing further information about PrairieSky's anticipated future business operations. Readers are cautioned that the FOFI contained in this material change report should not be used for purposes other than for which it is disclosed herein.

The forward-looking information contained in this material change report are 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.