



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2024 AND 2023

CELEBRATING
10 YEARS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for PrairieSky Royalty Ltd. ("PrairieSky" or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements as at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 ("interim condensed consolidated financial statements") and the audited annual consolidated financial statements and related notes as at and for the years ended December 31, 2023 and 2022. This MD&A has been prepared as of October 28, 2024.

The unaudited interim condensed consolidated financial statements and comparative information have been prepared in Canadian dollars and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). PrairieSky earns royalty income on production; as such, the production volumes are equivalent on a gross and net basis.

Certain measures and ratios in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures and ratios. Non-GAAP measures and ratios 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. Non-GAAP measures and ratios include operating netback, operating netback per BOE, operating margin, cash administrative expenses, cash administrative expenses per BOE and dividend payout ratio. Further information can be found in the Non-GAAP Measures and Ratios section of this MD&A.

Readers should also read the Advisory section located at the end of this MD&A, which provides information on forward-looking statements, crude oil, natural gas and natural gas liquids ("NGL") conversions, currency and references to PrairieSky.



FINANCIAL AND OPERATIONAL RESULTS

(\$ millions, except per share or as otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
FINANCIAL				
Revenues	117.3	133.1	373.6	376.6
Funds from operations	92.4	93.8	281.5	271.4
Per share - basic and diluted ⁽¹⁾	0.39	0.39	1.18	1.14
Net earnings	47.3	55.4	155.1	160.2
Per share - basic and diluted ⁽¹⁾	0.20	0.23	0.65	0.67
Dividends declared ⁽²⁾	59.7	57.3	179.1	171.9
Per share	0.25	0.24	0.75	0.72
Dividend payout ratio ⁽³⁾	65%	61%	64%	63%
Acquisitions - including non-cash consideration ⁽⁴⁾	4.7	15.6	25.8	36.2
Net debt ⁽⁵⁾	149.6	253.7	149.6	253.7
Shares outstanding				
Shares outstanding at period end	239.0	239.0	239.0	239.0
Weighted average - basic and diluted	239.0	238.9	239.0	238.9
OPERATIONAL				
Royalty production volumes				
Crude oil (bbls/d)	12,733	12,084	13,061	12,300
NGL (bbls/d)	2,189	2,702	2,343	2,437
Natural gas (MMcf/d)	57.0	64.1	59.1	59.2
Royalty Production (BOE/d) ⁽⁶⁾	24,422	25,469	25,254	24,604
Realized pricing				
Crude oil (\$/bbl)	85.90	92.53	84.97	82.25
NGL (\$/bbl)	41.10	52.01	44.20	48.18
Natural gas (\$/Mcf)	0.50	1.97	1.10	2.74
Total (\$/BOE) ⁽⁶⁾	49.63	54.37	50.61	52.49
Operating netback per BOE ⁽⁷⁾	46.65	46.09	45.81	45.49
Funds from operations per BOE	41.12	40.03	40.68	40.41
Oil price benchmarks				
West Texas Intermediate (WTI) (US\$/bbl)	75.10	82.32	77.54	77.41
Edmonton light sweet (\$/bbl)	97.77	107.87	98.41	100.68
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	(13.55)	(12.89)	(15.50)	(17.57)
Natural gas price benchmarks				
AECO Monthly Index (\$/Mcf)	0.81	2.39	1.43	3.03
AECO Daily Index (\$/Mcf)	0.69	2.60	1.45	2.76
Foreign exchange rate (US\$/CAD\$)	0.7341	0.7466	0.7354	0.7436

(1) Funds from operations and net earnings per share are calculated using the weighted average number of basic and diluted common shares outstanding.

(2) A dividend of \$0.25 per common share was declared on September 9, 2024. The dividend was paid on October 15, 2024 to shareholders of record as at September 27, 2024.

(3) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section in this MD&A.

(4) Excluding right-of-use asset additions.

(5) See Note 14 "Capital Management" in the interim condensed consolidated financial statements and the section "Capital Management" contained in this MD&A.

(6) See "Conversions of Natural Gas to BOE" in this MD&A.

(7) Operating Netback per BOE is defined under the "Non-GAAP Measures and Ratios" section in this MD&A.



Results Overview

HIGHLIGHTS

Highlights of PrairieSky's financial results for the three months ended September 30, 2024 ("Q3 2024") include:

- Royalty production averaged 24,422 BOE per day (61% liquids), including oil royalty production of 12,733 barrels per day, which increased 5% over the three months ended September 30, 2023 ("Q3 2023").
- Revenues totaled \$117.3 million in Q3 2024 and consisted of \$111.5 million of royalty production revenue, \$1.1 million of lease rental income, \$4.1 million of lease bonus consideration and \$0.6 million of other income. Lease bonus consideration was earned on entering into 54 new leasing arrangements with 41 different counterparties.
- Q3 2024 funds from operations totaled \$92.4 million (\$0.39 per share, basic and diluted).
- Dividends declared of \$59.7 million (\$0.25 per share) in Q3 2024.
- Reduced net debt by 14% in the quarter.

Highlights of PrairieSky's financial results for the nine months ended September 30, 2024 ("YTD 2024") include:

- Royalty production averaged 25,254 BOE per day (61% liquids), including oil royalty production of 13,061 barrels per day, which increased 6% over the nine months ended September 30, 2023 ("YTD 2023").
- Revenues totaled \$373.6 million in YTD 2024 and consisted of \$350.2 million of royalty production revenue, \$4.9 million of lease rental income, \$15.0 million of lease bonus consideration and \$3.5 million of other income. Lease bonus consideration was earned on entering into 159 new leasing arrangements with 89 different counterparties.
- YTD 2024 funds from operations totaled \$281.5 million (\$1.18 per share, basic and diluted).
- Dividends declared of \$179.1 million (\$0.75 per share) in YTD 2024.
- Reduced net debt by 33% over the last nine months.

PrairieSky's 2024 Outlook

Management does not provide guidance. As such, this discussion relates only to general economic conditions experienced by the Company as of the date of this MD&A. Third-party operators have remained active across Western Canada and on PrairieSky's lands throughout YTD 2024 and are expected to remain active throughout the remainder of 2024 and into 2025. Activity has been focused on the Clearwater and Mannville Stack low-cost heavy oil plays and the use of multilateral drilling techniques. These two plays have driven oil royalty production growth YTD 2024. YTD 2024 oil royalty revenue has also been positively impacted by tighter WCS heavy oil differentials to WTI as a result of the Trans Mountain pipeline expansion which came on line in May 2024 providing incremental oil egress to the west coast of Canada. PrairieSky's management continues to monitor commodity prices, industry activity levels and third-party anticipated capital expenditures for 2024 and beyond. PrairieSky is insulated from many direct inflationary pressures as we have no capital program or field operating costs; however, PrairieSky may be impacted indirectly as third-party operators review and adjust their capital programs to respond to incremental costs, or as inflationary pressures impact the economic returns achievable on certain projects. Although PrairieSky has no operational control over third-party capital expenditures, making it difficult to predict activity levels and the timing thereof, our expansive royalty land position provides diversification of exposure to producers and plays across Western Canada.



PrairieSky's Strategy

The Company's objective is to generate significant cash flow and returns for shareholders through indirect crude oil and natural gas investment at relatively low risk and low cost to the Company. The Company seeks to achieve this objective by: (i) focusing on leasing activity and organic growth of royalty production revenue from the Royalty Properties (as defined herein); (ii) proactively monitoring and managing the portfolio of Royalty Properties to ensure third-party adherence to lease terms and contractual provisions (including offset well obligations, drilling commitments and other terms and conditions); (iii) managing controllable costs; and (iv) selectively pursuing strategic business development opportunities that are accretive to shareholders over the short, medium and long-term and are relatively low risk to the Company. The Company is focused on creating per share value for shareholders, including but not limited to distributing cash flow to shareholders in the form of dividends and opportunistic share repurchases and cancellations over time.

PrairieSky remains disciplined in its strategy and business model which provides robust operating margins in all commodity cycles. Management continues to deploy its risk mitigating strategies including proactive monitoring of economic conditions, a constant and proactive compliance and collections program, paying close attention to controllable costs and a disciplined approach to acquisitions. PrairieSky has consistently maintained a strong balance sheet and employs a conservative capital structure.

Business Overview

PRAIRIESKY ROYALTY

PrairieSky's asset base includes a geologically and geographically diverse portfolio of Fee Lands (as defined herein) that encompasses approximately 9.7 million acres with petroleum and/or natural gas rights and approximately 8.3 million acres of GORR Lands (as defined herein) and other acreage (collectively, the "Royalty Properties").

The Royalty Properties are comprised of: (i) fee simple mineral title lands prospective for petroleum, natural gas, NGL and other minerals located predominantly in Central and Southern Alberta and Saskatchewan (the "Fee Lands"); (ii) lessor interests in and to leases that are currently issued in respect of certain Fee Lands ("Lessor Interests"); and (iii) crude oil and natural gas overriding royalty interests, gross overriding royalty interests, net profit interests and production payments ("GORR Interests") on lands ("GORR Lands") across Western Canada.

PrairieSky is focused on encouraging third parties to actively develop the Royalty Properties and growing our royalty ownership by strategically seeking additional royalty assets that provide PrairieSky with medium-term to long-term value enhancement potential. PrairieSky has focused its activities over a number of years on growing its land base in areas where multilateral drilling technologies are being used to develop highly economic oil plays which PrairieSky expects will result in significant value potential over a number of years. The Company does not directly conduct operations to explore for, develop or produce petroleum, NGL or natural gas; rather, third-party development of the Royalty Properties provides the Company with royalty production revenues as crude oil, NGL and natural gas are produced from such properties. PrairieSky's operations include royalty income earned through crude oil, NGL and natural gas produced on the Royalty Properties as well as up front bonus consideration earned on entering into new leases and annual rental fees to maintain leases. The Company's royalty production revenues are derived from: (i) the Lessor Interests that are leased out by the Company and upon which lessees pay lessor royalties; and (ii) GORR Interests on GORR Lands.

Petroleum and natural gas royalty structures are typically linked directly to production volumes from the Royalty Properties, with certain royalty structures linked to production volumes and/or price. As a result, the Company's net earnings can be significantly impacted by fluctuations in commodity prices and production volumes. Production volumes can be influenced by various factors, including the extent of exploration and development activity by third parties on the Royalty Properties, the timing and amount of capital expenditures and field operations, and the expertise and financial resources of third-party lessees, as well as other factors such as seasonal weather impacts and from time to time, the effects of severe weather events and natural disasters,



including forest fires. Commodity pricing is influenced by market supply and demand as well as other factors such as weather, quality of product, access to markets, foreign currency fluctuations, geopolitical risks and international conflicts, and macroeconomic events. The Company is able to mitigate some of these risks to the extent that there is a diversity of third parties exploring and developing the Royalty Properties, with a balanced production mix of natural gas, crude oil, and NGL, and by maintaining a low-cost business with a conservative and sustainable capital structure and actively managing our fee title lands to maximize operator activities on our lands.

At September 30, 2024, PrairieSky earned royalty production revenue from approximately 42,000 wells and received payments from 335 different industry payors. The Company received approximately 75% of its monthly revenue from 26 payors. Royalties are calculated on a fixed percentage, step or sliding scale formula. Some royalty agreements allow for the deduction of certain handling, processing, and transportation costs.

As a royalty owner, PrairieSky does not bear the operational risks typically associated with the upstream petroleum and natural gas exploration and production business. The Company is not responsible for the operational or financial risks of drilling, completing or operating wells and related infrastructure for the production of petroleum and natural gas. Nor is the Company responsible for the related site restoration and abandonment costs. Capital, operational expenses and abandonment costs are the responsibility of the third parties conducting these operations on the Royalty Properties. Substantially all capital expenditures made by PrairieSky are discretionary. Costs incurred by the Company are primarily production and mineral taxes, administrative expenses, finance expenses and corporate income taxes.

Royalty Production

ROYALTY PRODUCTION VOLUMES

(Average daily)	Three months ended September 30			Nine months ended September 30		
	2024	2023	% Change	2024	2023	% Change
Crude oil (bbls/d)	12,733	12,084	5	13,061	12,300	6
NGL (bbls/d)	2,189	2,702	(19)	2,343	2,437	(4)
Natural gas (MMcf/d)	57.0	64.1	(11)	59.1	59.2	-
Total royalty production (BOE/d)	24,422	25,469	(4)	25,254	24,604	3

PrairieSky's average daily royalty production volumes for Q3 2024 were comprised of 52% crude oil, 9% NGL and 39% natural gas as compared to Q3 2023 when the production volume split was 47% crude oil, 11% NGL and 42% natural gas. The average daily royalty production volumes for YTD 2024 were comprised of 52% crude oil, 9% NGL and 39% natural gas as compared to YTD 2023 when the royalty production volume split was 50% crude oil, 10% NGL and 40% natural gas. There is a natural delay between the timing of production and when PrairieSky collects its royalty interest production volumes and revenue from operators. In addition, PrairieSky's compliance department continually reviews leasing agreements and royalty calculations. Due to the natural delay and compliance review process, positive and negative adjustments related to prior periods may be included in PrairieSky's royalty production volumes and/or revenue.

PrairieSky's crude oil, NGL and natural gas production volumes are primarily marketed with lessees' production. The Company actively reviews its counterparties and takes certain royalty production volumes in-kind to mitigate credit risk, as appropriate. PrairieSky is exposed to commodity price volatility. The Company has no commodity price hedges in place and does not currently intend to enter into any commodity price hedges.



For the three months ended September 30, 2024

Royalty production volumes averaged 24,422 BOE per day in Q3 2024, a decrease of 4% from Q3 2023 royalty production volumes of 25,469 BOE per day. A breakdown of changes by product is as follows:

- Average crude oil royalty production volumes for Q3 2024 of 12,733 barrels per day have increased 5% from 12,084 barrels per day in Q3 2023 as a result of organic growth from new wells on stream and 63 barrels per day of royalty acquisition volumes, which more than offset natural declines.
- Average NGL royalty production volumes for Q3 2024 of 2,189 barrels per day have decreased 19% from 2,702 barrels per day reported in Q3 2023 as a result of natural declines and shut-in production due to depressed natural gas prices. These negative impacts were partially offset by organic growth from new wells on stream.
- Average natural gas royalty production volumes for Q3 2024 of 57.0 MMcf per day decreased 11% from 64.1 MMcf per day reported in Q3 2023 as a result of natural declines and shut-in production due to depressed natural gas prices. This was partially offset by organic growth from new wells on stream.

For the nine months ended September 30, 2024

Royalty production volumes averaged 25,254 BOE per day for YTD 2024, an increase of 3% over YTD 2023 royalty production volumes of 24,604 BOE per day. A breakdown of changes by product is as follows:

- Average crude oil royalty production volumes for YTD 2024 of 13,061 barrels per day have increased 6% from 12,300 barrels per day for YTD 2023 as a result of organic growth from new wells on stream and 66 barrels per day of royalty acquisition volumes, which more than offset natural declines.
- Average NGL royalty production volumes for YTD 2024 of 2,343 barrels per day have decreased 4% from 2,437 barrels per day reported for YTD 2023 with natural declines and shut-in production being partially offset by organic growth from new wells on stream.
- Average natural gas royalty production volumes for YTD 2024 of 59.1 MMcf per day remained consistent with the 59.2 MMcf per day reported for YTD 2023 with natural declines and shut-in production being offset by organic growth from new wells on stream.



Financial Results

OPERATING RESULTS

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	(\$ millions)	(\$/BOE) ⁽²⁾	(\$ millions)	(\$/BOE) ⁽²⁾
Royalty production revenue	111.5	49.63	127.4	54.37
Production and mineral taxes	(1.1)	(0.49)	(1.5)	(0.64)
Cash administrative expenses ⁽¹⁾	(5.6)	(2.49)	(17.9)	(7.64)
Operating netback ⁽¹⁾	104.8	46.65	108.0	46.09
Operating margin ⁽¹⁾	94%	94%	85%	85%

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	(\$ millions)	(\$/BOE) ⁽²⁾	(\$ millions)	(\$/BOE) ⁽²⁾
Royalty production revenue	350.2	50.61	352.6	52.49
Production and mineral taxes	(2.7)	(0.39)	(4.7)	(0.70)
Cash administrative expenses ⁽¹⁾	(30.5)	(4.41)	(42.3)	(6.30)
Operating netback ⁽¹⁾	317.0	45.81	305.6	45.49
Operating margin ⁽¹⁾	91%	91%	87%	87%

(1) Non-GAAP measure. See "Non-GAAP Measures and Ratios" in this MD&A.

(2) See "Conversions of Natural Gas to BOE" in this MD&A.

The Q3 2024 operating netback of \$104.8 million (\$46.65 per BOE) has decreased 3% from \$108.0 million (\$46.09 per BOE) in Q3 2023 primarily due to a decrease in natural gas and NGL royalty production and lower realized pricing due to weaker benchmark pricing. This was partially offset by lower production and mineral taxes and cash administrative expenses. Changes in administrative expenses and production and mineral taxes are further discussed below.

The YTD 2024 operating netback of \$317.0 million (\$45.81 per BOE) has increased 4% from \$305.6 million (\$45.49 per BOE) in YTD 2023 primarily due to strong oil royalty production revenue and lower cash administrative expenses, partially offset by a decrease in natural gas royalty production revenue as a result of weaker benchmark pricing. Changes in administrative expenses and production and mineral taxes are further discussed below.

REVENUE

(\$ millions)	Three months ended September 30			Nine months ended September 30		
	2024	2023	% Change	2024	2023	% Change
Royalty production revenue by product						
Crude oil	100.7	102.8	(2)	304.1	276.2	10
NGL	8.2	13.0	(37)	28.4	32.1	(12)
Natural gas	2.6	11.6	(78)	17.7	44.3	(60)
	111.5	127.4	(12)	350.2	352.6	(1)
Other revenue						
Lease rental income	1.1	1.0	10	4.9	4.7	4
Bonus consideration	4.1	3.6	14	15.0	14.8	1
Other income	0.6	1.1	(45)	3.5	4.5	(22)
	5.8	5.7	2	23.4	24.0	(3)
Revenues	117.3	133.1	(12)	373.6	376.6	(1)



(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenues by classification				
Lessor Interests on Fee Lands	74.2	80.9	230.3	230.5
GORR Interests	37.3	46.5	119.9	122.1
Royalty production revenue	111.5	127.4	350.2	352.6
Other revenue	5.8	5.7	23.4	24.0
Revenues	117.3	133.1	373.6	376.6

Pricing	Three months ended September 30			Nine months ended September 30		
	2024	2023	% Change	2024	2023	% Change
Benchmark						
WTI (US\$/bbl)	75.10	82.32	(9)	77.54	77.41	-
Edmonton light sweet (\$/bbl)	97.77	107.87	(9)	98.41	100.68	(2)
WCS differential to WTI (US\$/bbl)	(13.55)	(12.89)	(5)	(15.50)	(17.57)	12
AECO monthly index (\$/Mcf)	0.81	2.39	(66)	1.43	3.03	(53)
AECO daily index (\$/Mcf)	0.69	2.60	(73)	1.45	2.76	(47)
Foreign exchange rate (US\$/CAD\$)	0.7341	0.7466	(2)	0.7354	0.7436	(1)

Realized pricing	Three months ended September 30			Nine months ended September 30		
	2024	2023	% Change	2024	2023	% Change
Crude oil (\$/bbl)	85.90	92.53	(7)	84.97	82.25	3
NGL (\$/bbl)	41.10	52.01	(21)	44.20	48.18	(8)
Natural gas (\$/Mcf)	0.50	1.97	(75)	1.10	2.74	(60)
Total (\$/BOE)	49.63	54.37	(9)	50.61	52.49	(4)

The Company's average royalty rate for all producing wells on the Royalty Properties was approximately 6.3% in Q3 2024 (Q3 2023 - 6.0%). The rise in the average royalty rate is a result of the increased weighting of oil royalty revenue as weak benchmark pricing negatively impacted natural gas revenue. During Q3 2024, royalty production revenue was \$111.5 million as compared to \$127.4 million for the same quarter in 2023, a decrease of 12% primarily as a result of lower natural gas and NGL royalty production volumes and lower benchmark pricing for all products. The impacts on realized pricing are further detailed below.

During Q3 2024, revenue from Lessor Interests on Fee Lands was \$74.2 million or 67% of total royalty production revenue. Revenue from GORR Interests was \$37.3 million or 33% of total royalty production revenue for the same period. During the prior year comparative period, \$80.9 million or 64% of total royalty production revenue was generated from Lessor Interests on Fee Lands and \$46.5 million or 36% from GORR Interests. In addition to royalty production revenue from Lessor Interests, all lease rental income and bonus consideration is generated from Fee Lands.

The Company's average royalty rate for all producing wells on the Royalty Properties was approximately 6.2% for YTD 2024 (YTD 2023 - 6.0%). The rise in the average royalty rate is a result of the increased weighting of oil royalty revenue as weak benchmark pricing negatively impacted natural gas revenue. During YTD 2024, royalty production revenue was \$350.2 million compared to \$352.6 million for YTD 2023, a slight decrease of 1% primarily as a result of weaker AECO benchmark pricing and lower NGL royalty production volumes, partially offset by higher oil royalty production volumes, a narrower WCS heavy oil differential and a weaker Canadian dollar as compared to the US dollar. The impacts on realized pricing are further detailed below.

During YTD 2024, revenue from Lessor Interests on Fee Lands was \$230.3 million or 66% of total royalty production revenue. Revenue from GORR Interests was \$119.9 million or 34% of total royalty production revenue for the same period. During the prior year comparative period, \$230.5 million or 65% of total royalty production revenue was generated from Lessor Interests on Fee Lands and \$122.1 million or 35% from GORR Interests. In addition to royalty production revenue from Lessor Interests, all lease rental income and bonus consideration is generated from Fee Lands.



During Q3 2024, the Company averaged realized oil pricing of \$85.90 per barrel, NGL pricing of \$41.10 per barrel and natural gas pricing of \$0.50 per Mcf as compared to Q3 2023 when the Company averaged realized oil pricing of \$92.53 per barrel, NGL pricing of \$52.01 per barrel and natural gas pricing of \$1.97 per Mcf. Q3 2024 realized oil pricing decreased 7% from Q3 2023 as a result of decreased average WTI crude oil benchmark pricing of US\$75.10 per barrel combined with a wider WCS heavy oil differential and light oil differential. Q3 2024 realized NGL pricing decreased 21% from Q3 2023 primarily due to lower benchmark pricing. Realized natural gas prices decreased 75% in Q3 2024 as compared to Q3 2023 due to a 66% decrease in average monthly AECO and a 73% decrease in average daily AECO benchmark pricing. Third-party natural gas producers have the ability to sell production at different benchmarks including Sumas which positively impacted PrairieSky's realized natural gas price in Q3 2023 as compared to Q3 2024.

During YTD 2024, the Company averaged realized oil pricing of \$84.97 per barrel, NGL pricing of \$44.20 per barrel and natural gas pricing of \$1.10 per Mcf as compared to YTD 2023 when the Company averaged realized oil pricing of \$82.25 per barrel, NGL pricing of \$48.18 per barrel and natural gas pricing of \$2.74 per Mcf. YTD 2024 realized oil pricing increased 3% from YTD 2023 due to a narrower WCS heavy oil differential and a weaker Canadian dollar relative to the US dollar, which more than offset the negative impacts of a wider light oil differential. YTD 2024 realized NGL pricing decreased 8% from YTD 2023 primarily due to lower benchmark pricing. Realized natural gas prices decreased 60% in YTD 2024 as compared to YTD 2023 due to a 53% decrease in average monthly AECO and a 47% decrease in average daily AECO benchmark pricing. Third-party natural gas producers have the ability to sell production at different benchmarks including Sumas which positively impacted PrairieSky's realized natural gas price in YTD 2023 as compared to YTD 2024.

Royalty compliance recoveries are the cash payments received as a result of the extensive process of identifying, analyzing and collecting payments from royalty payors. Cash received from compliance recoveries can relate to the current or prior period. Compliance recoveries are not recorded in the financial statements until collection of outstanding amounts is certain or overpayments are validated. Compliance recoveries totaled \$2.2 million for Q3 2024 (Q3 2023 - \$2.0 million) and \$5.8 million for YTD 2024 (YTD 2023 - \$4.6 million). Compliance recoveries are included in royalty production revenue for the period.

Other revenue consisted primarily of lease bonus consideration and lease rentals from new and historical leasing arrangements on Fee Lands. Lease rental income for Q3 2024 and YTD 2024 was \$1.1 million (Q3 2023 - \$1.0 million) and \$4.9 million (YTD 2023 - \$4.7 million), respectively. Lease bonus consideration revenue for Q3 2024 and YTD 2024 was \$4.1 million (Q3 2023 - \$3.6 million) and \$15.0 million (YTD 2023 - \$14.8 million), respectively, as industry looked to increase their drilling inventory. Lease bonus consideration was earned on entering into 54 new leasing arrangements (Q3 2023 - 46 new leasing arrangements) with 41 counterparties (Q3 2023 - 40 counterparties) during Q3 2024. Lease bonus consideration was earned on entering into 159 new leasing arrangements (YTD 2023 - 152 new leasing arrangements) with 89 counterparties (YTD 2023 - 98 counterparties) during YTD 2024. YTD 2024, leasing remains on pace with 2023. Both the amount and timing of lease bonus consideration revenue can vary significantly from quarter to quarter as it relates to the unique circumstances of each transaction. Other income totaled \$0.6 million for Q3 2024 (Q3 2023 - \$1.1 million) and \$3.5 million for YTD 2024 (YTD 2023 - \$4.5 million) with the decrease from prior periods primarily related to a reduction in seismic data licensing.



ADMINISTRATIVE EXPENSES

(\$ millions, except per BOE amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Salaries and benefits	3.9	4.8	11.8	12.3
Share-based compensation	5.7	8.6	17.3	20.4
Office expense	0.7	0.8	2.4	2.7
Public company expense	0.5	0.2	1.9	1.6
Information technology and other	0.5	0.6	2.3	1.9
Total administrative expenses	11.3	15.0	35.7	38.9
Administrative expenses per BOE ⁽¹⁾	5.03	6.40	5.16	5.79
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Total administrative expenses	11.3	15.0	35.7	38.9
Share-based compensation expense	(5.7)	(8.6)	(17.3)	(20.4)
Cash payments made – share unit plans	-	11.5	12.1	23.8
Total cash administrative expenses⁽²⁾	5.6	17.9	30.5	42.3
Cash administrative expenses per BOE ⁽¹⁾⁽²⁾	2.49	7.64	4.41	6.30

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

(2) Non-GAAP measure. See "Non-GAAP Measures and Ratios" in this MD&A.

Administrative expenses for Q3 2024 and YTD 2024 were \$5.03 per BOE (Q3 2023 - \$6.40 per BOE) and \$5.16 per BOE (YTD 2023 - \$5.79 per BOE), respectively. The decrease in administrative expense for Q3 2024 compared to Q3 2023 is primarily related to the decrease in share-based compensation expense which is calculated based on the number of outstanding share-based awards multiplied by the change in share price in the periods. Additionally, during Q3 2023, the Company incurred a termination payment of \$13.3 million related to a leadership change of which \$10.5 million had been recognized, primarily as stock-based compensation, from the time of grant until the date of departure.

The decrease in administrative expense for YTD 2024 compared to YTD 2023 is primarily due to no termination payment being made for YTD 2024.

Administrative expenses include both cash and non-cash charges which relate to share-based compensation plans. When cash share-based compensation payouts are made, there is an increase in cash administrative expenses in the period. Cash administrative expenses for Q3 2024 were \$2.49 per BOE, as compared to Q3 2023 cash administrative expenses of \$7.64 per BOE. The decrease in cash administrative expense per BOE is primarily due to no termination payment being made for Q3 2024.

Cash administrative expenses for YTD 2024 were \$4.41 per BOE, as compared to YTD 2023 cash administrative expenses of \$6.30 per BOE. The decrease is a result of a lower number of director deferred share units ("DSUs") being redeemed during the period, and the leadership termination payment in the prior year comparative period as discussed above, partially offset by increased long-term incentive payouts in January 2024 as a result of stronger share price performance from the date of grant to the date of vesting. For more information, see the Company's Information Circular and Proxy Statement dated March 21, 2024 which is available on SEDAR+ at www.sedarplus.com or the Company's website at www.prairiesky.com.

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Share-based compensation				
PSU expense	3.2	5.3	8.9	12.6
RSU expense	0.6	0.4	1.6	1.3
ODSU expense	0.9	1.9	2.8	3.2
DSU expense	1.0	1.0	4.0	3.3
Share-based compensation expense	5.7	8.6	17.3	20.4



Administrative expenses related to restricted share units ("RSUs"), preferred share units ("PSUs"), officer deferred share units ("ODSUs"), and DSUs are impacted by the closing share price at period end and as such, are subject to variability. The common share price used in the fair value calculation of share-based compensation at September 30, 2024 was \$27.49, as compared to \$24.96 at September 30, 2023. Share-based compensation expense is calculated based on the change in the share price in the period and the number of outstanding share-based awards at period end, with an estimate of the ultimate performance multiplier applied to PSUs. There are no outstanding units under any employee, officer or director incentive plan that can be settled in common shares at September 30, 2024.

PRODUCTION AND MINERAL TAXES

(\$ millions, except per BOE amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Production and mineral taxes	1.1	1.5	2.7	4.7
\$/BOE ⁽¹⁾	0.49	0.64	0.39	0.70

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

Production and mineral taxes are levied on an annual basis. In Alberta, the Freehold Mineral Tax is calculated with a formula based on price and production volumes in the province; whereas, in Saskatchewan there is an acreage tax based on a flat per acre amount for non-Crown lands. In Q3 2024, production and mineral taxes were 1.0% of royalty production revenue compared to 1.2% in Q3 2023. The decrease in Q3 2024 is a result of variances related primarily to price and production.

YTD 2024 production and mineral taxes were 0.8% of royalty production revenue compared to 1.3% for YTD 2023. The decrease in YTD 2024 is a result of variances related primarily to price and production. Production and mineral taxes are based on an annual estimate which can result in variances from quarter to quarter based on commodity prices, changes in royalty production volumes and incremental acreage acquired.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

(\$ millions, except per BOE amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Depletion, depreciation and amortization	36.0	36.4	110.7	104.1
\$/BOE ⁽¹⁾	16.02	15.53	16.00	15.50

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

The Company depletes its royalty assets using the unit-of-production method based on the total proved and probable reserves of its Royalty Properties. Corporate assets, including the right-of-use asset associated with the office lease, are depreciated on a straight-line basis. DD&A expense decreased modestly in Q3 2024 compared to Q3 2023 due to lower royalty production. DD&A per BOE is higher in Q3 2024 compared to Q3 2023 primarily due to a lower depletable base.

DD&A expense increased in YTD 2024 compared to YTD 2023 due to higher royalty production. DD&A per BOE is higher in YTD 2024 compared to YTD 2023 primarily due to a lower depletable base. DD&A per BOE will fluctuate depending on the royalty assets acquired, if any, the amount of reserves added, and royalty production volumes in the period.



EXPLORATION AND EVALUATION EXPENSE ("E&E")

(\$ millions, except per BOE amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Exploration and evaluation expense	4.1	3.4	10.7	5.5
\$/BOE ⁽¹⁾	1.82	1.45	1.55	0.82

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

During Q3 2024 and YTD 2024, \$4.1 million (Q3 2023 - \$3.4 million) and \$10.7 million (YTD 2023 - \$5.5 million), respectively, of costs associated with expired Crown mineral leases and GORR Interests were recognized as an expense. The expense will vary period to period as a result of the timing of lease expiries, if any.

FINANCE

Finance expense of \$2.7 million in Q3 2024 has decreased from \$4.5 million in Q3 2023 as a result of a lower bank debt balance which averaged \$125.1 million in the quarter (Q3 2023 - \$239.5 million) and lower interest rates. Finance expense of \$9.9 million in YTD 2024 has decreased from \$13.6 million in YTD 2023 primarily as a result of a lower bank debt balance which averaged \$145.5 million in the period (YTD 2023 - 228.0 million). The effective interest rate for Q3 2024 and YTD 2024 was 5.7% (Q3 2023 - 6.5%) and 6.2% (YTD 2023 - 6.3%), respectively.

INCOME TAX

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Current tax expense	15.6	14.9	49.3	44.4
Deferred tax expense (recovery)	(0.8)	2.0	(0.5)	5.2
Income tax expense	14.8	16.9	48.8	49.6

The Company's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before tax. The increase in the current income tax expense for both Q3 2024 compared to Q3 2023 and for YTD 2024 compared to YTD 2023 reflects higher taxable income as lower royalty production revenue was offset by lower cash administrative costs and lower tax pool deductions.

NET EARNINGS

Net earnings for Q3 2024 were \$47.3 million (\$0.20 per share, basic and diluted) as compared to net earnings of \$55.4 million (\$0.23 per share, basic and diluted) in Q3 2023. Net earnings for Q3 2024 were lower than Q3 2023 primarily as a result of lower royalty production revenue due to weak natural gas benchmark pricing which impacted both royalty production volumes and the resulting royalty production revenue partially offset by lower administrative expenses.

Net earnings for YTD 2024 were \$155.1 million (\$0.65 per share, basic and diluted) as compared to net earnings of \$160.2 million (\$0.67 per share, basic and diluted) in YTD 2023. Net earnings for YTD 2024 were lower than YTD 2023 primarily as a result of lower natural gas royalty production revenue due to weak natural gas benchmark pricing as described above, combined with higher DD&A expense and higher E&E expense, partially offset by lower administrative and finance expenses.



ACQUISITIONS

During Q3 2024, the Company completed acquisitions totaling \$4.7 million (Q3 2023 - \$15.6 million) which included \$4.4 million of royalty interests on non-producing properties recorded in E&E assets (Q3 2023 - \$13.2 million including an acquisition for non-cash consideration of \$0.5 million) and \$0.3 million related to information technology equipment recorded in royalty assets (Q3 2023 - \$2.4 million of royalty interests on producing properties). Acquisitions were primarily in the Clearwater and Mannville oil plays where third-party operators have been actively drilling multilateral wells.

During YTD 2024, the Company completed acquisitions totaling \$25.8 million (YTD 2023 - \$36.2 million) which included \$25.2 million of royalty interests on non-producing properties recorded in E&E assets (YTD 2023 - \$33.1 million including an acquisition for non-cash consideration of \$0.5 million). In addition, \$0.3 million in acquisitions related to information technology equipment and \$0.3 million related to royalty interest acquisitions on producing properties were recorded in royalty assets (YTD 2023 - \$3.1 million on producing properties). Acquisitions were primarily in the Clearwater and Mannville oil plays where third-party operators have been actively drilling multilateral wells.

In addition, during YTD 2024, a \$1.3 million non-cash addition (YTD 2023 - \$nil) was recorded related to the right-of-use asset for the new head office lease.

Liquidity and Capital Resources

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net cash from (used in)				
Operating activities	109.6	78.1	288.6	190.9
Investing activities	(4.7)	(15.1)	(25.8)	(35.7)
Financing activities	(104.9)	(63.0)	(262.8)	(155.2)
Change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	-	-	-	-

OPERATING ACTIVITIES

Net cash from operating activities for Q3 2024 was \$109.6 million as compared to \$78.1 million for Q3 2023. The increase was primarily as a result of lower cash administrative expenses and lower cash taxes paid, partially offset by a positive change in non-cash working capital due to higher cash inflows in Q3 2024 compared to Q3 2023. Net cash from operating activities for YTD 2024 was \$288.6 million as compared to \$190.9 million for YTD 2023. The increase was primarily as a result of lower cash administrative expenses in YTD 2024 compared to YTD 2023 and lower income taxes paid. During YTD 2023, PrairieSky paid its 2022 income taxes payable and 2023 tax installments which resulted in a \$83.6 million change in working capital.

Cash from operating activities is generated from funds from operations and the net change in non-cash working capital. Funds from operations is utilized by management to evaluate the ability of the Company to generate cash from its operations. This is considered a measure of operating performance as it demonstrates the Company's ability, on an ongoing basis, to fund distributions of cash flow to shareholders as dividends, repay bank debt, repurchase common shares under the Company's Normal Course Issuer Bid ("NCIB"), and fund complementary acquisitions. Such a measure provides a useful indicator of the Company's operations, on an ongoing basis, by eliminating certain non-cash charges. Funds from operations in Q3 2024 were \$92.4 million down slightly from \$93.8 million in Q3 2023, primarily due to the impacts of lower natural gas and NGL royalty production revenue, partially offset by lower cash administrative expenses as previously discussed. Funds from operations in YTD 2024 were \$281.5 million, an increase of 4% from \$271.4 million in YTD 2023, primarily due to the positive impacts of lower cash administrative expenses and lower finance expenses as previously discussed.



INVESTING ACTIVITIES

For Q3 2024 and YTD 2024, cash used in investing activities was \$4.7 million (Q3 2023 - \$15.1 million) and \$25.8 million (YTD 2023 - \$35.7 million), respectively, and included royalty and E&E asset acquisitions as outlined in the "Acquisitions" section of this MD&A.

FINANCING ACTIVITIES

For Q3 2024, cash used in financing activities was \$104.9 million (Q3 2023 - \$63.0 million), as a result of dividends paid on common shares of \$59.7 million (Q3 2023 - \$57.3 million) and repayment of bank debt. For YTD 2024, cash used in financing activities was \$262.8 million (YTD 2023 - \$155.2 million), as a result of dividends paid on common shares of \$176.7 million (YTD 2023 - \$171.9 million) and repayment of bank debt (YTD 2023 - partially offset by draws on bank debt).

Since the initial public offering in May 2014 (the "IPO"), PrairieSky has declared \$1,740.1 million in dividends to shareholders. Since inception of the NCIB in 2016, PrairieSky has purchased for cancellation 16.7 million common shares at an average cost of \$14.77 per share for total consideration of \$246.4 million.

Changes in Net Debt

At September 30, 2024, the Company had net debt of \$149.6 million, down from \$222.1 million at December 31, 2023. At September 30, 2024, accounts receivable and accrued royalty revenue consisted primarily of accrued revenue related to royalty payments and production and mineral taxes receivable from third-party operators. In the crude oil and natural gas industry, accounts receivable from industry partners are typically settled in the month following production; however, payments to royalty owners are often delayed longer, and as a result, actual payments may differ from estimates recorded. Accounts payable and accrued liabilities consisted primarily of production and mineral taxes payable, share-based compensation and salary-related accruals. Accounts payable also included \$15.1 million (December 31, 2023 - \$11.8 million) related to the liability for vested cash-settled DSUs for directors of the Company (the "Board") which become payable only when a director is no longer a member of the Board. Net debt also included the dividend payable of \$59.7 million (December 31, 2023 - \$57.3 million), which was paid on October 15, 2024.

Bank Debt

At September 30, 2024, the Company had a \$700 million extendible revolving credit facility (the "Revolving Facility"), with a permitted increase to \$775 million, subject to lender consent, and a \$25 million extendible operating credit facility (the "Operating Facility", and together with the Revolving Facility, the "Sustainable Credit Facility"), with a syndicate of Canadian banks. At September 30, 2024, \$102.5 million was drawn on the Sustainable Credit Facility (December 31, 2023 - \$188.5 million). The Sustainable Credit Facility may be extended on an annual basis, subject to lender consent and has a maturity date of February 28, 2025 and as such, has been classified as current. Management is currently reviewing the Sustainable Credit Facility with its syndicate. The effective interest rate for Q3 2024 and YTD 2024 was 5.7% (Q3 2023 - 6.5%) and 6.2% (YTD 2023 - 6.3%), respectively.

Historically incurred debt issuance costs have been netted against the bank debt and are amortized over the remaining term. For Q3 2024 and YTD 2024, total amortization of debt issuance costs was \$0.1 million (Q3 2023 - \$nil) and \$0.3 million (YTD 2023 - \$0.3 million), respectively.

Borrowings under the Sustainable Credit Facility bear interest at a Canadian bank prime rate, U.S. base rate, Canadian Overnight Repo Rate Average ("CORRA"), which has replaced the Canadian Dollar Offered Rate ("CDOR"), or Secured Overnight Financing Rate ("SOFR"), plus applicable margin on a variable grid based on certain financial ratios, over the prevailing applicable rate for the type of loan. The Sustainable Credit Facility transitioned to CORRA based loans prior to the final publication of CDOR which ceased after June 28, 2024. The Company did not experience a significant difference in the cost of its borrowings under the Sustainable Credit Facility. The Sustainable Credit Facility includes a sustainability-linked pricing mechanism which may reduce or increase borrowing costs by a maximum of 5 basis points based on the Company's environmental, social and governance ("ESG") performance, determined annually by a third-party ESG rating agency. PrairieSky's bank debt pricing was reduced by the full 5 basis points effective February 1, 2022 due to its



improved third-party ESG rating. PrairieSky's ESG performance was re-evaluated in early 2023 and 2024 and the full 5 basis points pricing reduction was maintained. The Sustainable Credit Facility is unsecured and does not have a borrowing base restriction.

The Sustainable Credit Facility has three financial covenants, whereby the Company's ratio of adjusted consolidated senior debt to EBITDA for the trailing 12 months will not exceed 3.5:1.0, adjusted consolidated total debt to EBITDA for the trailing 12 months will not exceed 4.0:1.0, and the adjusted consolidated total debt to capitalization ratio will not exceed 55%. EBITDA used in the covenant calculation is net earnings adjusted for non-cash items, interest expense and income taxes. All covenants are calculated as at, and for the 12 months ended September 30, 2024. As at September 30, 2024, the Company was in compliance with all covenants provided for in the lending agreement and expects to remain in compliance with all covenants until maturity.

The following table provides a list of the key financial covenants as at September 30, 2024:

Covenant description ⁽¹⁾	Ratio	September 30, 2024
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.22
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.22
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	4%

(1) Capitalized terms are as defined in the Sustainable Credit Facility agreement.

The covenants noted above are subject to specific definitions in the Sustainable Credit Facility agreement.

Dividends and Dividend Policy

PrairieSky pays dividends to shareholders at the discretion of the Board. Dividends declared were \$59.7 million or \$0.25 per share for Q3 2024 and \$179.1 million or \$0.75 per share for YTD 2024.

Since inception in 2014, PrairieSky has declared \$1,740.1 million in dividends (\$8.15 per share) to our shareholders.

(\$ millions, except per share data)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Accumulated dividends				
Accumulated, beginning of period	1,680.4	1,446.4	1,561.0	1,331.8
Dividends declared	59.7	57.3	179.1	171.9
Accumulated, end of period	1,740.1	1,503.7	1,740.1	1,503.7
Dividends per share				
Accumulated, beginning of period	7.90	6.92	7.40	6.44
Dividends declared	0.25	0.24	0.75	0.72
Accumulated, end of period	8.15	7.16	8.15	7.16



During Q3 2024 and YTD 2024, PrairieSky's dividend payout ratio was 65% (Q3 2023 - 61%) and 64% (YTD 2023 - 63%), respectively, with excess funds from operations being used primarily to fund acquisitions of \$25.8 million and to decrease net debt.

(\$ millions, except otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Funds from operations	92.4	93.8	281.5	271.4
Dividends declared	59.7	57.3	179.1	171.9
Dividend payout ratio⁽¹⁾	65%	61%	64%	63%

(1) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section in this MD&A.

The Board determines the dividend rate after considering expected commodity prices, foreign exchange rates, royalty production volumes, economic conditions, income taxes, debt levels and PrairieSky's capacity to fund operating expenses and investing opportunities. The dividend rate is established with the intent of absorbing short-term market volatility, including commodity price volatility, over several months. It also recognizes the intention of maintaining a strong financial position to take advantage of business development opportunities.

Outstanding Share Data

As at September 30, 2024 and the date hereof, PrairieSky had 239.0 million common shares outstanding (December 31, 2023 - 239.0 million). As at September 30, 2024 and the date hereof, there were no stock options outstanding (December 31, 2023 - nil).

Capital Management

The Company's objective when managing its capital structure is to maintain financial flexibility to meet the financial requirements for its business and future business development activities, as well as to distribute cash to shareholders in the form of dividends and to repurchase shares for cancellation. As a royalty company, PrairieSky does not incur capital expenditures for crude oil and natural gas development, which differentiates its cost structure from producers and enhances its financial flexibility.

The Company's capital structure is comprised of bank debt, working capital, and shareholders' equity. The Company's capital structure is managed by taking into account operating activities, dividends paid to shareholders, common share repurchases, income taxes, liquidity available under the Sustainable Credit Facility and other factors. The Company's operating results and capital structure are impacted by the level of leasing and development activity by third parties on the Royalty Properties, realized commodity prices and the resultant royalty production revenues, as well as the costs incurred by the Company.

The Company defines capitalization as net debt plus shareholders' equity. The net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. The Company continues to maintain a low net debt to capitalization ratio at September 30, 2024 of 5% (December 31, 2023 - 7%) which reflects its manageable debt levels and lower financial risk.

(\$ millions)	As at September 30, 2024	As at December 31, 2023
Shareholders' equity	2,742.4	2,766.4
Current portion of bank debt	102.3	-
Working capital deficiency excluding current portion of bank debt	47.3	34.1
Working capital deficiency	149.6	34.1
Bank debt	-	188.0
Net debt	149.6	222.1
Capitalization	2,892.0	2,988.5
Net debt to capitalization	5%	7%



Stewardship of the Company's capital structure is managed through its financial and operating forecast process. The Company's forecast of future cash flows is based on estimates of production, crude oil, natural gas and NGL prices, production and mineral taxes, administrative expenses, income taxes and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, production expectations and other factors that, in the Company's view, would impact future cash flows. The preparation of financial forecasts requires management to make assumptions and estimates which may prove incorrect over time. As a result, there may be adverse changes in cash flows, working capital or debt levels that are currently unforeseen.

On May 31, 2024 the Company announced the approval of the renewal of its NCIB by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase for cancellation up to a maximum of 5,000,000 common shares over a twelve-month period which commenced on June 4, 2024 and expires no later than June 3, 2025. Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The actual number of common shares that may be purchased will be determined by the Company based on current and forecasted funds from operations, the annual dividend and the level of bank debt.

There were no common shares repurchased in YTD 2024 or in YTD 2023.

Risk Management

FINANCIAL RISKS

The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risk (such as commodity prices and interest rates), credit risk and liquidity risk.

Commodity Price Risk

Commodity price risk is the risk the Company will encounter fluctuations in its future royalty production revenue with changes in commodity prices. Commodity prices for crude oil, NGL and natural gas are influenced by global and regional factors, including levels of supply and demand, weather, geopolitical factors and the Canadian to US dollar exchange rate. The Company does not hedge its commodity price risk.

Interest Rate Risk

The Company is exposed to interest rate risk in connection with the Sustainable Credit Facility. Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. Assuming all other variables held constant for Q3 2024 and YTD 2024, a 1% change (plus or minus) in the interest rate would have resulted in a corresponding change to net earnings before taxes of \$0.3 million and \$1.3 million, respectively. Bank debt bears interest at a floating market rate with applicable variable margins.

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company's diversified revenue stream limits the size of any one property or industry operator with respect to total receivables.

The Company maintains a compliance program to ensure royalties are paid correctly on production from the Royalty Properties in accordance with the terms of the agreements. This includes reviewing and analyzing prices obtained by the royalty payor and ensuring that unwarranted or excessive deductions are not being taken.

A substantial portion of the Company's accounts receivable are from leases, overriding royalty contracts and other agreements with crude oil and natural gas industry operators and are subject to normal industry credit risks. The Company's leasing arrangements typically provide for termination of the lease in the event of non-payment of royalties which would result in a return of the petroleum and natural gas rights to the Company. In



addition, the Company actively reviews its counterparties and takes its production in-kind to mitigate credit risk, as appropriate, and has letters of credit in place with certain producers.

As at September 30, 2024, one counterparty has a balance owing that individually accounts for approximately 15% of the total accounts receivable balance. The maximum credit risk exposure associated with accounts receivable and accrued revenue is the total carrying value.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties funding its financial liabilities as they come due. Liquidity risk is managed by maintaining sufficient liquid financial resources to fund these obligations. At September 30, 2024, the Company had net debt of \$149.6 million, a decrease of 33% from \$222.1 million at December 31, 2023 as YTD 2024 funds from operations in excess of dividends paid of \$176.7 million and acquisitions of \$25.8 million were primarily used to decrease net debt. The Company also has access to incremental funding options through its Sustainable Credit Facility with a maturity date of February 28, 2025. As at September 30, 2024, the Company has unused capacity under its Sustainable Credit Facility of up to \$622.5 million. In addition, the Sustainable Credit Facility has a permitted increase to \$800 million from \$725 million with lender consent.

The Company's royalty production volumes and resultant revenues with high operating netbacks provide significant liquidity. The primary uses of funds are administrative expenses, production and mineral taxes, finance expenses, income taxes, dividends, debt repayment, the repurchase and cancellation of PrairieSky's common shares and acquisitions. The Company's dividend, common share repurchases, and capital acquisitions are discretionary.

The timing of expected cash outflows relating to bank debt of \$102.3 million, accounts payable and accrued liabilities of \$43.5 million, income taxes payable of \$6.6 million and the dividend payable of \$59.7 million is less than one year. The Company is reviewing its bank debt with its syndicate and will renegotiate or obtain replacement financing in relation to the bank debt before its maturity on February 28, 2025. Historically, the Company has been able to renegotiate terms at competitive market rates. In addition, accounts payable and accrued liabilities include \$15.1 million related to vested cash-settled DSUs held by Board members which become payable only when a director is no longer a member of the Board.

OPERATIONAL AND BUSINESS RISKS

PrairieSky has identified key operational and business risks that may impact financial results. The most significant of these risks are as follows:

- Volatility in commodity prices and quality differentials as a result of global and North American market forces and/or shifts in the balance between supply and demand for crude oil, NGL, and natural gas, including the impact of geopolitical factors;
- Access to transportation, including pipelines or other methods, for bringing crude oil, NGL and natural gas to market;
- Dependence on lessees and/or third-party operators to develop the Royalty Properties and the risks associated with exploration, development and production of crude oil and natural gas, including environmental risks and climate change, as further discussed below;
- Ability of participants in the crude oil and natural gas industry in Western Canada to access capital to develop the Royalty Properties and the industry as a whole, including the risk that third-party lenders may reduce their borrowings to the oil and gas industry;
- The impacts of increased interest rates and inflationary pressures on third-party exploration and development activity;
- Third-party operator activity levels on the Royalty Properties and competition for land, goods and services, qualified personnel and capital funding;
- Variations in currency exchange rates;



- Imprecision of reserve estimates and uncertainty of depletion and recoverability of reserves. The Company's reserves will deplete over time through continued production and our industry partners and royalty payors may not be able to replace the reserves on the Royalty Properties on an economic basis;
- Stock market volatility and the ability to access sufficient capital from internal and external sources;
- Third-party operational risks, including facility restrictions and seasonal weather impacts, and/or marketing risks, including take-in-kind production volumes, resulting in delivery interruptions, delays, lower realized pricing and/or unanticipated production declines;
- The effects of inclement and severe weather events and natural disasters, including fire, drought and flooding on third-party operations;
- Changes in government regulations, including environmental, taxation, and Crown royalty rates;
- Changing environmental laws in relation to the operations conducted on the Royalty Properties;
- Potential breakdown, invasion, virus, cyber-attack, security breach or destruction of information technology systems;
- Increased borrowing costs due to increased lending rates from prime rate increases and/or increased lender pricing margins, negative changes to financial metrics evaluated under the Sustainable Credit Facility financial covenants and/or decreased ESG performance as determined by a third-party rating agency;
- Ability to renegotiate or replace the revolving credit facility or obtain alternate financing at competitive market rates; and
- Variability of dividends based on PrairieSky's financial performance and/or market conditions.

Through the Company's Enterprise Risk Management processes, the Company employs the following strategies to mitigate these risks:

- Our Royalty Properties are diversified which limits the exposure to any one royalty payor, commodity, area, region or operator;
- We are a royalty interest holder and have no direct exposure to environmental claims and regulation or the associated costs;
- We are focused on controlling direct costs in order to maximize our funds from operations;
- Our royalty interest agreements and contracts provide mechanisms to ensure that our interests are protected;
- Systems and compliance processes are in place to identify and pursue any unpaid or incorrect revenues;
- Measures and processes, which include a recovery plan, are in place to reduce the risk of cyber-attacks to protect our information systems from being breached;
- We maintain a conservative and sustainable capital structure; and
- We maintain levels of liability insurance that meet or exceed industry standards.



ENVIRONMENTAL AND CLIMATE CHANGE RISKS

The Canadian petroleum and natural gas industry is currently subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time, as well as judicial scrutiny. These regulations are some of the most stringent and progressive in the world. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain crude oil and natural gas industry operations, including the abandonment and reclamation of well, facility and pipeline sites and the protection of water resources. Compliance with such regulations can require significant expenditures by the businesses operating on the Royalty Properties and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties. In addition, compliance with such regulations is required for a third-party to keep a lease on the Fee Lands in good standing. Failure to adhere to applicable regulations and contractual requirements can lead to a default and subsequent termination of a Fee Lands lease by PrairieSky. Further to these specific, known requirements, future changes to environmental legislation, including legislation for air pollution and greenhouse gas emissions, may impose further requirements on operators and other companies in the crude oil and natural gas industry. PrairieSky works with applicable federal, provincial and municipal regulators to ensure compliance with applicable regulations.

Third-party operations and activities associated with the Royalty Properties emit greenhouse gases which may require parties leasing and/or operating the Royalty Properties to comply with federal and/or provincial greenhouse gas emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate measures that are ultimately put in place. Lessees and third-party operators of the Royalty Properties are responsible for the costs associated with environmental regulation and adherence to regulation. PrairieSky may be directly impacted by reduced industry activity or the inability to collect royalty payments. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact of those requirements on the Company's operations and financial condition with a high degree of certainty. Lessees and third-party operations may be impacted by environmental risks including both acute and chronic physical risks such as extreme weather and/or long-term shifts in weather patterns and natural disasters, including fire, drought and flooding. In addition, lessees' and third-party operators may be impacted by transition risks including regulatory, market, reputational, technological and legal risks. The impact of these risks on lessees, third-party operators and PrairieSky continues to evolve. PrairieSky continually monitors these risks as part of its Enterprise Risk Management process. PrairieSky's Board is responsible for Enterprise Risk Management and management is responsible for implementing mitigating strategies regarding these risks. These mitigating strategies are described above under Operational and Business Risks.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance and climate reporting, the International Sustainability Standards Board ("ISSB") has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. On June 26, 2023 the ISSB released two standards: IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial Information*; and IFRS S2 - *Climate-related Disclosures*. The Canadian Sustainability Standards Board has been formed to support the adoption of international sustainability standards in Canada, which will include decisions about adoption and effective dates of IFRS S1 and IFRS S2 in Canada. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified and it is possible that the long-term effects of these new regulations will affect the Company's business, results from operations, access to capital and financial condition.

Additional specific risk factors related to the environment and climate change, including a discussion on physical and transition risks, are included in PrairieSky's Annual Information Form dated February 12, 2024 and readers are encouraged to review such material, as well as PrairieSky's Sustainability Report which is located on our website at www.prairiesky.com.



FURTHER INFORMATION ON RISK FACTORS AND INDUSTRY CONDITIONS

For a detailed discussion of the risks, uncertainties and industry conditions associated with PrairieSky's business, refer to PrairieSky's Annual Information Form dated February 12, 2024, which is available under PrairieSky's SEDAR+ profile at www.sedarplus.com and at www.prairiesky.com.

Accounting Judgments, Estimates and Accounting Policies

ACCOUNTING JUDGMENTS AND ESTIMATES

Certain of the Company's accounting policies require subjective judgment about uncertain circumstances. The potential effect of these estimates, as described in the Company's MD&A for the year ended December 31, 2023, have not changed during the current period. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The Company adopted amendments to IAS 1 *Presentation of Financial Statements* on January 1, 2024. IAS 1 was amended to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That the right to defer settlement must exist at the end of the reporting period; and
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Company's interim condensed consolidated financial statements.

Control Environment

PrairieSky is required to comply with National Instrument 52-109 "Certification of Disclosure on Issuers' Annual and Interim Filings". The certification of interim filings for the interim period ended September 30, 2024, requires that PrairieSky disclose in the interim MD&A any changes in PrairieSky's internal controls over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect PrairieSky's internal controls over financial reporting. PrairieSky confirms that no such changes were identified in the Company's internal controls over financial reporting during the three months beginning on July 1, 2024 and ending on September 30, 2024.



Summary of Quarterly Results and Trends

(\$ millions, unless otherwise noted)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
FINANCIAL								
Revenues								
Crude oil	100.7	111.1	92.3	98.4	102.8	89.6	83.8	98.9
NGL	8.2	10.0	10.2	11.4	13.0	7.9	11.2	13.5
Natural gas	2.6	4.4	10.7	12.2	11.6	10.9	21.8	32.4
Royalty production revenue	111.5	125.5	113.2	122.0	127.4	108.4	116.8	144.8
Other revenue	5.8	10.1	7.5	14.6	5.7	9.0	9.3	5.8
Revenues	117.3	135.6	120.7	136.6	133.1	117.4	126.1	150.6
Funds from operations	92.4	106.1	83.0	111.1	93.8	91.3	86.3	119.5
Per share - basic and diluted ⁽¹⁾	0.39	0.44	0.35	0.46	0.39	0.38	0.36	0.50
Net earnings	47.3	60.3	47.5	67.4	55.4	48.0	56.8	67.3
Per share - basic and diluted ⁽¹⁾	0.20	0.25	0.20	0.28	0.23	0.20	0.24	0.28
Dividends declared ⁽²⁾	59.7	59.7	59.7	57.3	57.3	57.3	57.3	57.3
Per share	0.25	0.25	0.25	0.24	0.24	0.24	0.24	0.24
Dividend payout ratio ⁽³⁾	65%	56%	72%	52%	61%	63%	66%	48%
Net debt ⁽⁴⁾	149.6	174.6	208.3	222.1	253.7	275.9	292.4	315.1
OPERATIONAL								
Production Volumes								
Crude oil (bbls/d)	12,733	13,312	13,142	12,844	12,084	12,607	12,212	12,166
NGL (bbls/d)	2,189	2,308	2,535	2,697	2,702	1,943	2,664	2,681
Natural gas (MMcf/d)	57.0	58.2	62.1	60.4	64.1	53.8	59.6	66.4
Total (BOE/d) ⁽⁵⁾	24,422	25,320	26,027	25,608	25,469	23,517	24,809	25,914
Realized Pricing								
Crude oil	85.90	91.75	77.18	83.27	92.53	78.05	76.25	88.36
NGL	41.10	47.20	44.18	46.07	52.01	44.77	46.71	54.56
Natural gas	0.50	0.84	1.89	2.19	1.97	2.23	4.05	5.30
Total (\$/BOE) ⁽⁵⁾	49.63	54.47	47.79	51.78	54.37	50.65	52.31	60.74
Benchmark Pricing								
West Texas Intermediate (US\$/bbl)	75.10	80.57	76.95	78.32	82.32	73.99	76.13	82.64
Edmonton light sweet (\$/bbl)	97.77	105.16	92.18	99.72	107.87	95.32	99.04	110.04
AECO monthly index (\$/Mcf)	0.81	1.44	2.05	2.66	2.39	2.35	4.34	5.58
AECO daily index (\$/Mcf)	0.69	1.18	2.50	2.30	2.60	2.45	3.22	5.11
Foreign exchange rate (US\$/CAD\$)	0.7341	0.7315	0.7411	0.7343	0.7466	0.7454	0.7397	0.7365

(1) Funds from operations and net earnings per share are calculated using the weighted average number of common shares outstanding.

(2) A dividend of \$0.25 per common share was declared on September 9, 2024. The dividend was paid on October 15, 2024 to shareholders of record on September 27, 2024.

(3) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section in this MD&A.

(4) See Note 14 "Capital Management" in the interim condensed consolidated financial statements and the section "Capital Management" contained within this MD&A.

(5) See "Conversions of Natural Gas to BOE" in this MD&A.

- Quarterly variances in revenues, funds from operations and net earnings are primarily due to fluctuations in realized commodity prices, royalty production volumes, and bonus consideration earned on entering into new leasing arrangements.
- Crude oil prices are generally determined by global and North American market forces, including supply and demand factors and geopolitical risk. Changes in the USD-CAD currency exchange rate impact the Company's oil price realization relative to benchmark WTI, which is referenced in US dollars. Benchmark pricing for crude oil and NGL improved in 2022. WTI pricing weakened in 2023 and 2024 relative to 2022. The Company's realized oil price is also impacted by variances in the differential for light and heavy oil to WTI.



- Natural gas prices are influenced by many variables including weather conditions, industrial demand, and North American natural gas inventories. In Western Canada, transportation constraints, including pipeline maintenance, may further impact natural gas prices. Natural gas benchmark pricing has continued to weaken from Q4 2022 into 2023 and 2024 due to the variables discussed above.
- Royalty production volumes can be influenced by various factors, including the extent of exploration and development activity by third parties on the Royalty Properties, operational downtime and transportation constraints, the timing and amount of capital expenditures, the expertise and financial resources of third-party lessees, acquisitions of producing properties, weather and natural declines. Oil royalty production volumes have trended upwards over the last eight quarters primarily as a result of organic growth from third party activity. In Q2 2023, royalty production volumes were negatively impacted by operational downtime as a result of widespread Alberta wildfires and a compliance adjustment related to a royalty overpayment. Royalty production volumes in both Q3 2023 and Q3 2024 trended lower following annual spring breakup when third-party operator activity slows due to wet conditions.
- Other revenue is largely affected by the timing of bonus consideration received when new leases are negotiated, which can vary with the individual terms of each agreement. In Q4 2023, the Company earned its highest quarterly bonus consideration revenue since 2017.
- Net earnings are affected primarily by revenues, as noted above, as well as DD&A, administrative expenses and income taxes. Administrative expenses can vary in a period due to the effect of the change in share price on the Company's share-based compensation plans.
- The dividend is set by the Board after considering forecasted funds from operations. In Q1 2024, the Company increased the dividend by 4% to \$1.00 per share on an annualized basis (\$0.25 per share on a quarterly basis).
- The Company has declared \$465.6 million in dividends to shareholders over the past eight quarters.
- Net debt has decreased \$214.6 million or 59% since September 30, 2022 as funds from operations, after paying the dividend have been used primarily to repay bank debt incurred on the acquisition of royalty properties from Heritage Royalty. Working capital fluctuations are primarily a result of changes in commodity prices affecting the royalty production revenue accrual, changes in the Company's share price affecting share-based compensation accruals, changes in amounts payable for income tax and changes in the dividend payable.

Non-GAAP Measures and Ratios

Certain measures and ratios in this MD&A do not have any standardized meaning as prescribed by IFRS and therefore, are considered non-GAAP measures and ratios. These measures and ratios may not be comparable to similar measures and ratios presented by other issuers. These measures and ratios are commonly used in the crude oil and natural gas industry and by the Company to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures and ratios include operating netback, operating netback per BOE, operating margin, cash administrative expenses, cash administrative expenses per BOE and dividend payout ratio. Non-GAAP measures should not be considered an alternative to or more meaningful than the most directly comparable financial measure of each such non-GAAP measure described below. Management's use of these measures and ratios are discussed further below.

"Operating netback" represents the cash margin for products sold. Operating netback is calculated as royalty production revenue less production and mineral taxes and cash administrative expenses (defined below). Operating netback provides a consistent measure of the cash generating and operating performance of the Royalty Properties to assess the comparability of the underlying performance between years. Refer to the Operating Results table in this MD&A document for a summary of operating netback calculations. The table below reconciles cash from operating activities to operating netback on a total dollar basis.



"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 daily royalty 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 is commonly used in the crude oil and natural gas industry to assess performance comparability. Refer to the Operating Results table in this MD&A document for a summary of operating netback calculations.

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Cash from operating activities	109.6	78.1	288.6	190.9
Other revenue	(5.8)	(5.7)	(23.4)	(24.0)
Non-cash revenue	-	0.5	-	0.5
Amortization of debt issuance costs	(0.1)	-	(0.3)	(0.3)
Finance expense	2.7	4.5	9.9	13.6
Current tax expense	15.6	14.9	49.3	44.4
Net change in non-cash working capital	(17.2)	15.7	(7.1)	80.5
Operating netback	104.8	108.0	317.0	305.6

"Operating margin" represents operating netback as a percentage of royalty revenue. Management uses this measure to demonstrate the comparability between the Company and production and exploration companies in the crude oil and natural gas industry as it shows net revenue generation from operations. Refer to the Operating Results table in this MD&A document for a summary of operating netback calculations. A summary of the reconciliation from royalty production revenue to operating margin is outlined below:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Royalty production revenue	111.5	127.4	350.2	352.6
Operating netback	104.8	108.0	317.0	305.6
Operating margin	94%	85%	91%	87%

"Cash administrative expenses" represent administrative expenses excluding the volatility and fluctuations in share-based compensation expense for RSUs, PSUs, ODSUs and DSUs that were not settled in cash in the current period. Cash administrative expenses are calculated as total administrative expenses, adjusting for share-based compensation expense in the period, plus any actual cash payments made under the Share Unit Award Incentive Plan, ODSU Plan or DSU Plan. Management believes cash administrative expense is a common benchmark used by investors when comparing companies to evaluate operating performance.

The following table reconciles total administrative expenses to cash administrative expenses:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Total administrative expenses	11.3	15.0	35.7	38.9
Share-based compensation expense	(5.7)	(8.6)	(17.3)	(20.4)
Cash payments made - share unit plans	-	11.5	12.1	23.8
Total cash administrative expenses	5.6	17.9	30.5	42.3



"Cash administrative expenses per BOE" is calculated by dividing cash administrative expenses by the average daily production volumes sold for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis between periods.

"Dividend payout ratio" is calculated as dividends declared as a percentage of funds from operations. Dividend payout ratio is used by dividend paying companies to assess dividend levels in relation to the funds generated and used in operating activities.

(\$ millions, except otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Funds from operations	92.4	93.8	281.5	271.4
Dividends declared	59.7	57.3	179.1	171.9
Dividend payout ratio	65%	61%	64%	63%

Advisory

FORWARD-LOOKING STATEMENTS

This MD&A includes certain statements regarding PrairieSky's future plans and operations as at October 28, 2024 and contains forward-looking statements that we believe allow readers to better understand our business and prospects. Forward-looking statements contained in this MD&A include our expectations with respect to the following:

- Commodity prices, including supply and demand factors relating to crude oil, natural gas and NGL, and specifically the effect of macroeconomic events on future commodity prices, royalty production volumes, revenues and cash flow;
- PrairieSky's business and growth strategy and anticipated sources of future income;
- PrairieSky's expectation that third-party operators will remain active on PrairieSky's lands for the remainder of 2024 and into 2025;
- PrairieSky's expectation that its land base in areas where multilateral drilling technologies are being used to develop highly economic oil plays may result in significant value potential over a number of years.
- PrairieSky's dividend policy and its intention to focus on creating value for shareholders by distributing cash flow to shareholders in the form of dividends and opportunistic share repurchases and cancellations over time, which intention could change with little or no notice;
- PrairieSky's NCIB and specifically the volume and value of future repurchases under the current NCIB or future NCIBs based on current and forecasted funds from operations, the annual dividend and level of bank debt;
- The manner in which PrairieSky manages collection and credit risk and its belief that the diversity of payors and products mitigate this risk;
- PrairieSky's plan to not enter into any commodity price hedges;
- The impact of compliance activities and recoveries, which vary quarterly;
- The possibility that the long-term effects of complying with sustainability disclosure standards will affect the Company's business, results of operations, access to capital and financial condition;
- The impact of bonus consideration, which varies quarterly;
- The expectation that the Company will be in compliance with financial covenants under the Sustainable Credit Facility until maturity;
- The expectation that management will review the Sustainable Credit Facility with its syndicate prior to maturity;
- The expectation that the Company will renegotiate or obtain replacement financing in relation to the bank debt maturing within the next year;



- The timing and amount of expected cash outflows relating to bank debt, accounts payable and accrued liabilities, income taxes payable and the dividend payable;
- The indirect impact to the Company as third-party operators review and adjust their capital programs to respond to incremental costs, or as inflationary pressures impact the economic return on certain projects;
- The ability to mitigate the risks of fluctuations in commodity prices and production volumes;
- Average royalty production volume contributions from the Royalty Properties including the impact of exploration and development activity, acquisitions and/or production declines;
- The impact of increased interest rates and inflationary pressures on third-party exploration and development activity;
- The impact of PrairieSky's share price on administrative expenses;
- The expectation that there will be no operating costs, capital costs, environmental liabilities, or abandonment and reclamation obligations associated with the development of petroleum and natural gas on the Royalty Properties; and
- Changes to the legislative and regulatory frameworks, including changes to environmental legislation, in the jurisdictions in which the Company carries on a business.

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 and the impacts of pipeline maintenance on production flows, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, including physical and acute environmental risks, regulation, changes in tax or other legislation, increased interest rates and inflation, political and geopolitical instability, 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 title to the assets acquired and the potential for disputes to arise with third parties, and limited ability to recover indemnification from such third parties under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's Annual Information Form and in this MD&A under the heading "Risk Management".

With respect to forward-looking statements contained in this MD&A, we have made assumptions regarding, among other things, the ability of the lessees and working interest owners on the Royalty Properties to maintain or increase production and reserves from these properties; the ability and willingness of the lessees and working interest owners on the Royalty Properties to comply with, and PrairieSky to enforce, lease terms and contractual provisions, as applicable, in order to receive payments; the ability of the lessees or working interest owners on the Royalty Properties to operate in a safe, efficient and effective manner; the timely receipt of any required regulatory approvals by lessees or working interest owners on the Royalty Properties; the willingness and financial capability of the lessees and working interest owners to continue to develop and invest additional capital in the Royalty Properties; the ability of the lessees and working interest owners on the Royalty Properties to obtain financing on acceptable terms to fund capital expenditures; the impact of inflation on capital budgets and operating costs for lessees and working interest owners on the Royalty Properties; field production rates, decline rates and the well performance and characteristics of the Royalty Properties; the ability to replace and increase crude oil, natural gas and NGL reserves and production associated with the Royalty Properties through third-party development and complementary acquisitions; 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 the third-party operators on the Royalty Properties to successfully market their respective petroleum and natural gas products or, for royalty payments taken-in-kind by PrairieSky, the ability of PrairieSky or a third-party marketer to successfully market PrairieSky's in-kind petroleum and natural gas products; surface rights access being granted to third parties on PrairieSky's Royalty Properties; the benefits of the seismic data anticipated to be used by PrairieSky and sub-licensed to lessees on the Royalty Properties; the level of costs and expenses to be incurred by PrairieSky, including with respect to interest, production and mineral taxes, administrative expenses and income taxes; 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 or involving PrairieSky; 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 a royalty interest in crude oil and natural gas properties; future crude oil, natural gas and NGL prices, future pricing for other leased products, and currency exchange and interest rates; the ability of PrairieSky to obtain financing at acceptable terms including renegotiating its current Sustainable Credit Facility; the effects of global political unrest on global crude oil and natural gas supply and pricing; the effects of inclement and severe weather events and natural disasters, including fire, drought and flooding, on third-party operations and operational downtime on royalty production volumes and PrairieSky's ability to execute the volume and/or value of purchases as described under the NCIB or future NCIBs, if approved by the TSX.

Readers 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. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Any forward-looking statement is made only as of the date of this MD&A, 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 MD&A is expressly qualified by this cautionary statement.

You are further cautioned that the preparation of consolidated financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net earnings, as further information becomes available and as the economic environment changes.

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). We use 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.



ABBREVIATIONS

bbls – barrels
bbls/d – barrels per day
BOE – barrels of oil equivalent (6 Mcf = 1 bbl)
BOE/d – barrels of oil equivalent per day
Mcf – thousand cubic feet
Mcf/d – thousand cubic feet per day
MMcf – million cubic feet
MMcf/d – million cubic feet per day
NGL – natural gas liquids
WTI – West Texas Intermediate
WCS – Western Canadian Select

CURRENCY AND REFERENCES TO PRAIRIESKY

All information included in this MD&A, and the unaudited interim condensed consolidated financial statements is shown on a Canadian dollar basis.

For convenience, references in this document to the "Company", "we", "us", "our", and "its" may, where applicable, refer only to PrairieSky.

ADDITIONAL INFORMATION

Additional information about PrairieSky, including the unaudited interim condensed consolidated financial statements as at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023, the 2023 audited annual consolidated financial statements and notes thereto, together with management's discussion and analysis, and PrairieSky's Annual Information Form, is available on SEDAR+ at www.sedarplus.com or PrairieSky's website at www.prairiesky.com.