



INTERIM CONDENSED

# CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2024 AND 2023

## CELEBRATING 10 YEARS

TSX | PSK





## Condensed Consolidated Statements of Financial Position (unaudited)

(\$ millions)	Notes	As at June 30, 2024	As at December 31, 2023
<b>Assets</b>			
Current assets			
Accounts receivable and accrued royalty revenue	4,15	\$ 72.5	\$ 61.6
Prepays		1.9	0.7
		74.4	62.3
Royalty assets, net	5	1,010.0	1,012.4
Exploration and evaluation assets	6	1,545.5	1,602.0
Goodwill		631.0	631.0
<b>Total Assets</b>		<b>\$ 3,260.9</b>	<b>\$ 3,307.7</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Current portion of bank debt	7,15	147.4	-
Accounts payable and accrued liabilities	8	38.2	34.6
Income tax payable		3.7	4.5
Dividend payable	9	59.7	57.3
		249.0	96.4
Bank debt	7,15	-	188.0
Lease obligation		1.3	-
Share-based compensation payable	10	12.1	13.5
Deferred income taxes		243.7	243.4
<b>Total Liabilities</b>		<b>506.1</b>	<b>541.3</b>
<b>Shareholders' Equity</b>			
Shareholders' capital	9	3,404.2	3,404.2
Paid in surplus		6.0	6.0
Deficit		(655.4)	(643.8)
<b>Total Shareholders' Equity</b>		<b>2,754.8</b>	<b>2,766.4</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 3,260.9</b>	<b>\$ 3,307.7</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Earnings and Comprehensive Income (unaudited)

(\$ millions, except per share amounts)	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>Revenues</b>					
Royalty production revenue	11	\$ 125.5	\$ 108.4	\$ 238.7	\$ 225.2
Other revenue	11	10.1	9.0	17.6	18.3
<b>Revenues</b>		<b>135.6</b>	<b>117.4</b>	<b>256.3</b>	<b>243.5</b>
<b>Expenses</b>					
Administrative	12	9.0	13.0	24.4	23.9
Production and mineral taxes		0.3	1.4	1.6	3.2
Depletion, depreciation and amortization	5	37.1	33.7	74.7	67.7
Exploration and evaluation	6	6.2	1.6	6.6	2.1
<b>Earnings before finance items and income taxes</b>		<b>83.0</b>	<b>67.7</b>	<b>149.0</b>	<b>146.6</b>
<b>Finance Items</b>					
Finance expense		3.5	4.6	7.2	9.1
<b>Earnings before income taxes</b>		<b>79.5</b>	<b>63.1</b>	<b>141.8</b>	<b>137.5</b>
Income tax expense	13	19.2	15.1	34.0	32.7
<b>Net Earnings and Comprehensive Income</b>		<b>\$ 60.3</b>	<b>\$ 48.0</b>	<b>\$ 107.8</b>	<b>\$ 104.8</b>
<b>Net Earnings per Common Share</b>					
Basic and diluted	9	\$ 0.25	\$ 0.20	\$ 0.45	\$ 0.44

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
<b>Balance at December 31, 2023</b>		\$ 3,404.2	\$ 6.0	\$ (643.8)	\$ 2,766.4
Net earnings		-	-	107.8	107.8
Dividends on common shares	9	-	-	(119.4)	(119.4)
<b>Balance at June 30, 2024</b>		\$ 3,404.2	\$ 6.0	\$ (655.4)	\$ 2,754.8

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
<b>Balance at December 31, 2022</b>		\$ 3,404.2	\$ 6.3	\$ (642.2)	\$ 2,768.3
Net earnings		-	-	104.8	104.8
Common shares issued:					
Pursuant to stock option plan	10	-	(0.1)	-	(0.1)
Dividends on common shares	9	-	-	(114.6)	(114.6)
<b>Balance at June 30, 2023</b>		\$ 3,404.2	\$ 6.2	\$ (652.0)	\$ 2,758.4

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Cash Flows (unaudited)

(\$ millions)	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>Operating Activities</b>					
Net earnings		\$ 60.3	\$ 48.0	\$ 107.8	\$ 104.8
Depletion, depreciation and amortization	5	37.1	33.7	74.7	67.7
Exploration and evaluation	6	6.2	1.6	6.6	2.1
Deferred tax expense	13	0.2	2.1	0.3	3.2
Share-based compensation, net of cash settlements	10	2.2	5.8	(0.5)	(0.5)
Amortization of debt issuance costs	7	0.1	0.1	0.2	0.3
Funds from operations		106.1	91.3	189.1	177.6
Net change in non-cash working capital	16	(6.8)	4.3	(10.1)	(64.8)
<b>Cash From Operating Activities</b>		<b>99.3</b>	<b>95.6</b>	<b>179.0</b>	<b>112.8</b>
<b>Investing Activities</b>					
Royalty asset acquisitions	5	0.3	(0.7)	(0.3)	(0.7)
Exploration and evaluation acquisitions	6	(12.6)	(14.5)	(20.8)	(19.9)
<b>Cash Used in Investing Activities</b>		<b>(12.3)</b>	<b>(15.2)</b>	<b>(21.1)</b>	<b>(20.6)</b>
<b>Financing Activities</b>					
Bank debt draws (repayments)	7	(27.3)	(22.8)	(40.8)	22.9
Dividends paid on common shares	9	(59.7)	(57.3)	(117.0)	(114.6)
Stock option exercise	10	-	(0.1)	-	(0.1)
Payments on lease obligation		-	(0.2)	(0.1)	(0.4)
<b>Cash Used in Financing Activities</b>		<b>(87.0)</b>	<b>(80.4)</b>	<b>(157.9)</b>	<b>(92.2)</b>
<b>Change in Cash and Cash Equivalents</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents, End of Period</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
The following are included in cash flow from operating activities:					
Income taxes paid in cash		\$ 16.8	\$ 15.4	\$ 34.5	\$ 119.6
Income taxes received in cash		-	6.5	-	6.5
Interest paid in cash		3.4	4.3	7.0	8.7

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## NOTES TO THE JUNE 30, 2024 AND 2023 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(TABULAR AMOUNTS IN \$ MILLIONS UNLESS NOTED OTHERWISE)

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### 1. Nature of Operations

PrairieSky Royalty Ltd. ("PrairieSky" or the "Company") has a geologically and geographically diverse portfolio of fee simple mineral title ("Fee Lands"), lessor interests in and to leases that are currently issued in respect of certain Fee Lands ("Lessor Interests"), crude oil and natural gas overriding royalty interests, gross overriding royalty interests, net profit interests and production payments on lands (collectively, "GORR Interests") and other acreage spanning Alberta, Saskatchewan, British Columbia and Manitoba (collectively, the "Royalty Properties"). The Company is focused on encouraging third parties to actively develop the Royalty Properties, while strategically seeking additional petroleum and natural gas royalty assets that provide the Company with medium-term to long-term value enhancement potential. The Company does not directly conduct operations to explore for, develop or produce petroleum or natural gas; rather, third-party development of the titled Royalty Properties provides the Company with royalty revenue as petroleum and natural gas are produced from such properties.

The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") under the stock symbol "PSK". The location of the head and registered office of the Company is Suite 1700, 350 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

### 2. Basis of Presentation

#### A) STATEMENT OF COMPLIANCE

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These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2023. They do not include all of the information required for a complete set of IFRS financial statements; however, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company's financial position and performance since the last annual financial statements.

These financial statements have been prepared on a historical cost basis, except for share-based payment transactions. The financial statements have been prepared on a going concern basis and amounts are in millions of Canadian dollars unless otherwise stated.

These financial statements were approved and authorized for issuance by the Company's board of directors (the "Board") on July 15, 2024.

#### B) ESTIMATES

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The timely preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities as at the date of the financial statements. Such estimates primarily relate to fair value estimates and unsettled transactions and events as at the date of the financial statements and accordingly, actual results could differ from the estimates.

In preparing these financial statements, the judgments made by management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2023.



### 3. 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.

### 4. Accounts Receivable and Accrued Royalty Revenue

	As at June 30, 2024	As at December 31, 2023
Trade receivables and accrued royalty revenue	71.8	61.6
Production and mineral taxes receivable	0.7	-
	72.5	61.6

In determining the recoverability of trade receivables that are past due but not impaired, the Company considers the age of the outstanding receivables and the credit worthiness of the counterparties (refer to Note 15). Of the Company's outstanding receivables at June 30, 2024, none are aged over 90 days (December 31, 2023 - \$nil) and the Company is satisfied its accounts receivable amounts are collectible.



## 5. Royalty Assets, Net

(\$ millions)	Notes	
<b>Cost</b>		
Balance, December 31, 2022		2,067.0
Asset acquisitions		12.4
Transfers from exploration & evaluation assets	6	139.8
Balance, December 31, 2023		2,219.2
Asset acquisitions		0.3
Transfers from exploration & evaluation assets	6	70.7
Increase in right-of-use asset		1.3
<b>Balance, June 30, 2024</b>		<b>2,291.5</b>
<b>Accumulated Depletion, Depreciation and Amortization</b>		
Balance, December 31, 2022		(1,065.5)
Depletion, depreciation and amortization		(141.3)
Balance, December 31, 2023		(1,206.8)
Depletion, depreciation and amortization		(74.7)
<b>Balance, June 30, 2024</b>		<b>(1,281.5)</b>
<b>Carrying Amounts</b>		
Balance, December 31, 2023		1,012.4
<b>Balance, June 30, 2024</b>		<b>1,010.0</b>

During the six months ended June 30, 2024, the Company acquired producing Lessor Interests and GORR Interests for total consideration of \$0.3 million (six months ended June 30, 2023 - \$0.7 million for producing Lessor Interests) which have been included in royalty assets. In addition, the Company commenced a new lease for head office space in Calgary. The Company recorded a right-of-use asset and corresponding lease liability for \$1.3 million. The right-of-use asset will be amortized over the term of the lease of 11 years.

## 6. Exploration and Evaluation ("E&E") Assets

(\$ millions)	Notes	
Balance, December 31, 2022		1,702.1
Asset acquisitions		46.0
Transfers to royalty assets	5	(139.8)
Land expiries		(6.3)
Balance, December 31, 2023		1,602.0
Asset acquisitions		20.8
Transfers to royalty assets	5	(70.7)
Land expiries		(6.6)
<b>Balance, June 30, 2024</b>		<b>1,545.5</b>

For the six months ended June 30, 2024, E&E assets acquired totaled \$20.8 million (six months ended June 30, 2023 - \$19.9 million) comprised of Fee Lands and GORR Interests on non-producing assets and complementary seismic (six months ended June 30, 2023 - GORR Interests on non-producing assets).

For the six months ended June 30, 2024, \$6.6 million (six months ended June 30, 2023 - \$2.1 million) of costs associated with expired Crown mineral leases and GORR Interests were recognized as exploration and evaluation expense. The expense will vary period to period as a result of the timing of lease expiries, if any.



## 7. Bank Debt

(\$ millions)	As at June 30, 2024	As at December 31, 2023
Borrowings under Sustainable Credit Facility	147.7	188.5
Unamortized debt issuance costs	(0.3)	(0.5)
<b>Bank debt</b>	<b>147.4</b>	<b>188.0</b>

At June 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 June 30, 2024, \$147.7 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 intends to review the Sustainable Credit Facility with its syndicate prior to maturity. The effective interest rate for the three and six months ended June 30, 2024 was 6.5% (three months ended June 30, 2023 - 5.9%) and 6.5% (six months ended June 30, 2023 - 6.2%), respectively.

During the three and six months ended June 30, 2024 and 2023, there were no debt issuance costs incurred. Historically incurred debt issuance costs have been netted against the bank debt and are being amortized over the remaining term. For the three and six months ended June 30, 2024, total amortization of debt issuance costs was \$0.1 million (three months ended June 30, 2023 - \$0.1 million) and \$0.2 million (six months ended June 30, 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 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 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 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 on the cost of its borrowings under the Sustainable Credit Facility.

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 June 30, 2024. As at June 30, 2024, the Company was in compliance with all covenants provided for in the lending agreement and forecasts compliance with all covenants until maturity.

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

Covenant description <sup>(1)</sup>	Ratio	June 30, 2024
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.32
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.32
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	5%

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



## 8. Accounts Payable and Accrued Liabilities

(\$ millions)	Notes	As at June 30, 2024	As at December 31, 2023
Trade payables		2.1	2.6
Production and mineral taxes payable		1.8	4.6
Accrued liabilities for cash settled share-based compensation	10	24.0	23.1
Current portion of lease obligation		-	0.1
Other accrued liabilities		10.3	4.2
<b>Accounts payable and accrued liabilities</b>		<b>38.2</b>	<b>34.6</b>

## 9. Share Capital

### AUTHORIZED

The authorized share capital of the Company includes an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The holders of the common shares are entitled to one vote in respect of each common share held at all meetings of shareholders, except meetings at which only holders of a specified class of share have the right to vote. The common shares have no par value.

### ISSUED AND OUTSTANDING

	Six months ended June 30, 2024		Year ended December 31, 2023	
	Number of Shares (millions)	Amount (\$ millions)	Number of Shares (millions)	Amount (\$ millions)
Common shares outstanding, beginning of period	239.0	3,404.2	238.9	3,404.2
Issued pursuant to stock option plan	-	-	0.1	-
<b>Common shares outstanding, end of period</b>	<b>239.0</b>	<b>3,404.2</b>	<b>239.0</b>	<b>3,404.2</b>

### NORMAL COURSE ISSUER BID ("NCIB")

On May 31, 2024, the Company announced the approval of the renewal of its NCIB by the 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.

The Company did not purchase any common shares under the NCIB during the three and six months ended June 30, 2024 or during the three and six months ended June 30, 2023 under the Company's previous NCIB.

### DIVIDENDS

During the three months ended June 30, 2024, PrairieSky declared dividends of \$59.7 million (three months ended June 30, 2023 - \$57.3 million) or \$0.25 per common share (three months ended June 30, 2023 - \$0.24 per common share) and paid dividends of \$59.7 million (three months ended June 30, 2023 - \$57.3 million).

During the six months ended June 30, 2024, PrairieSky declared dividends of \$119.4 million (six months ended June 30, 2023 - \$114.6 million) or \$0.50 per common share (six months ended June 30, 2023 - \$0.48 per common share) and paid dividends of \$117.0 million (six months ended June 30, 2023 - \$114.6 million).

On June 4, 2024, the Board declared a quarterly dividend of \$0.25 per common share or \$59.7 million payable on July 15, 2024 to common shareholders of record on June 28, 2024.



## NET EARNINGS PER COMMON SHARE

The following table presents the computation of net earnings per common share:

(\$ millions, except per share or as otherwise noted)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net earnings	60.3	48.0	107.8	104.8
Weighted average common shares outstanding - basic and diluted	239.0	238.9	239.0	238.9
Net earnings per common share - basic and diluted	0.25	0.20	0.45	0.44

## 10. Share-based Compensation Plans

The Company has a number of share-based compensation arrangements under which the Company awards various types of long-term incentive grants to eligible employees, officers and directors. They include performance share units ("PSUs"), restricted share units ("RSUs"), officer deferred share units ("ODSUs"), deferred share units ("DSUs") and previously included stock options.

The Company accounts for stock options granted to Company employees and officers as equity-settled share-based payment transactions and accrues compensation costs over the vesting period based on the fair values determined at the grant date. There were no stock options outstanding at June 30, 2024 or December 31, 2023.

The Company accounts for its PSUs, RSUs, ODSUs and DSUs, held by Company employees, officers and directors as cash-settled share-based payment transactions and accrues compensation costs and dividends over the vesting period based on the fair value at each reporting date.

The Company has recognized the following share-based compensation costs:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
PSU expense	2.0	4.7	5.7	7.3
RSU expense	0.4	0.5	1.0	0.9
ODSU expense	0.6	0.9	1.9	1.3
DSU expense (recovery)	(0.1)	1.1	3.0	2.3
<b>Share-based compensation expense</b>	<b>2.9</b>	<b>7.2</b>	<b>11.6</b>	<b>11.8</b>

The Company has recognized the following liability for cash-settled share-based payment transactions:

(\$ millions)	As at June 30, 2024	As at December 31, 2023
Liability for unvested cash-settled plans	16.8	22.3
Liability for vested cash-settled plans	19.3	14.3
<b>Liability for cash-settled plans</b>	<b>36.1</b>	<b>36.6</b>

(\$ millions)	Notes	As at June 30, 2024	As at December 31, 2023
Current portion	8	24.0	23.1
Non-current portion		12.1	13.5
<b>Liability for cash-settled plans</b>		<b>36.1</b>	<b>36.6</b>

The liability for vested cash-settled DSUs held by non-executive directors of \$14.1 million (December 31, 2023 - \$11.8 million) included in accounts payable and accrued liabilities becomes payable only when a director is no longer a member of the Board.



The market common share price used for all cash-settled fair value calculations at June 30, 2024 was \$26.00 (June 30, 2023 - \$23.16).

## A) PERFORMANCE SHARE UNITS

PSUs granted to officers and eligible employees entitle the grantee to receive upon vesting a cash payment that is equal to the value of one common share of the Company for each PSU held, plus accrued dividends over the period from the date of grant to vesting and may only be settled with a cash payment, and not common shares, equal to the five-day weighted average trading price for the common shares multiplied by the number of vested PSUs. PSUs vest following the completion of a three-year performance period provided the grantee remains actively employed with the Company on the vesting date and certain performance criteria are met.

The ultimate value of the PSUs will depend upon the Company's performance relative to predetermined corresponding performance targets measured over a three-year period. The Board has adopted a multiple performance criteria methodology, including the Company's TSR, for measuring the payout multiplier upon vesting of the PSUs. TSR is defined as share price appreciation plus dividends, relative to the TSR for a predetermined performance peer group. Based on this assessment, a range of zero to two times the original PSU grant, at the discretion of the Board, may be eligible to vest in respect of the three-year trailing period being measured.

The following table summarizes information related to the PSUs:

<i>Outstanding PSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	966.7
Granted	222.6
Units, in lieu of dividends	31.7
Vested	(499.3)
Forfeited	(70.6)
Issued and outstanding, December 31, 2023	651.1
Granted	<b>174.0</b>
Units, in lieu of dividends	<b>10.4</b>
Vested	<b>(267.0)</b>
<b>Issued and outstanding, June 30, 2024</b>	<b>568.5</b>

For the three and six months ended June 30, 2024, the Company recorded compensation expense of \$2.0 million (three months ended June 30, 2023 - \$4.7 million) and \$5.7 million (six months ended June 30, 2023 - \$7.3 million), respectively, related to PSUs. At June 30, 2024, the remaining weighted average life of outstanding PSUs is 1.4 years.

There were no cash payouts during the three months ended June 30, 2024 or June 30, 2023.

During the six months ended June 30, 2024, the cash payout related to vested PSUs was \$9.8 million (six months ended June 30, 2023 - \$9.6 million) comprised of 267,000 units, inclusive of dividend entitlements.



## B) RESTRICTED SHARE UNITS

RSUs granted to eligible employees and officers entitle the grantee to receive upon vesting a cash payment that is equal to the value of one common share for each RSU held, plus accrued dividends over the period from the date of grant to vesting and may only be settled with a cash payment, and not common shares, equal to the five-day weighted average trading price for the common shares multiplied by the number of vested RSUs. RSUs vest evenly over a three-year period provided the grantee remains actively employed with the Company on the vesting date.

The following table summarizes information related to the RSUs:

<i>Outstanding RSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	129.6
Granted	76.6
Units, in lieu of dividends	5.0
Vested	(61.1)
Forfeited	(13.5)
Issued and outstanding, December 31, 2023	136.6
Granted	76.8
Units, in lieu of dividends	2.6
Vested	(67.0)
Forfeited	(2.3)
<b>Issued and outstanding, June 30, 2024</b>	<b>146.7</b>

For the three and six months ended June 30, 2024, the Company recorded compensation expense of \$0.4 million (three months ended June 30, 2023 - \$0.5 million) and \$1.0 million (six months ended June 30, 2023 - \$0.9 million), respectively, related to RSUs. At June 30, 2024, the remaining weighted average life of outstanding RSUs is 1.2 years.

There were no cash payouts during the three months ended June 30, 2024 or June 30, 2023.

During the six months ended June 30, 2024, the cash payout related to vested RSUs was \$1.6 million (six months ended June 30, 2023 - \$1.3 million), comprised of 67,000 units, inclusive of dividend entitlements.

## C) OFFICER DEFERRED SHARE UNITS

ODSUs have been granted to officers of the Company and entitle the officer to receive, upon departure from the Company, a cash payment that is equal to the value of one common share for each vested ODSU held, adjusted to account for reinvested dividends over the period from the date of grant to the date vested ODSUs are redeemed, which must be within 15 business days of the officer's departure from the Company. The cash payment to the officer is to be paid, at the Company's discretion, no later than December 31 of the first calendar year commencing after the date of the officer's departure.

ODSUs are settled in a cash payment equal to the closing price per common share immediately prior to the the redemption date, multiplied by the number of settled ODSUs, as further described below. ODSUs vest evenly over a three-year period, provided the officer remains actively employed with the Company on the vesting date. ODSUs are not paid and/or settled until such time as the officer ceases to be an employee of the Company.

The following table summarizes information related to the ODSUs:



*Outstanding ODSUs (thousands of units)*

Issued and outstanding, December 31, 2022	278.0
Granted	96.7
Units, in lieu of dividends	12.1
Redeemed	(116.3)
Issued and outstanding, December 31, 2023	270.5
Granted	56.4
Units, in lieu of dividends	6.1
<b>Issued and outstanding, June 30, 2024</b>	<b>333.0</b>

For the three and six months ended June 30, 2024, the Company recorded compensation expense of \$0.6 million (three months ended June 30, 2023 - \$0.9 million) and \$1.9 million (six months ended June 30, 2023 - \$1.3 million), respectively, related to ODSUs. At June 30, 2024, the remaining weighted average life of outstanding ODSUs is 0.4 years.

**D) DEFERRED SHARE UNITS**

Directors receive an annual compensation amount in DSUs and have the option to receive Board and Committee retainers and fees in the form of DSUs, which vest immediately. These DSUs are equivalent to a common share adjusted to account for reinvested dividends over the period from date of grant and vesting to the date of redemption and are settled in cash. DSUs can only be redeemed following departure from the Company and must be redeemed prior to December 15<sup>th</sup> of the year following departure. For the six months ended June 30, 2024, the majority of the directors elected to receive their annual Board and Committee retainers and fees in the form of DSUs.

DSUs are settled in a cash payment equal to the closing price per common share immediately prior to the the redemption date, multiplied by the number of settled DSUs, as further described below. DSUs are fully vested as of the grant date. DSUs are not paid and/or settled until after such time as the director ceases to be a director of the Company.

The following table summarizes information related to the DSUs:

*Outstanding DSUs (thousands of units)*

Issued and outstanding, December 31, 2022	487.3
Granted	64.2
Units, in lieu of dividends	20.3
Redeemed	(65.4)
Issued and outstanding, December 31, 2023	506.4
Granted	53.0
Units, in lieu of dividends	10.2
Redeemed	(27.7)
<b>Issued and outstanding, June 30, 2024</b>	<b>541.9</b>

For the three and six months ended June 30, 2024, the Company recorded a recovery in compensation of \$0.1 million (three months ended June 30, 2023 - compensation expense of \$1.1 million) and a compensation expense of \$3.0 million (six months ended June 30, 2023 - \$2.3 million), respectively, related to DSUs.

During the three and six months ended June 30, 2024, 27,700 units were redeemed relating to a Director retirement, resulting in a cash payout of \$0.7 million (three and six months ended June 30, 2023 - \$1.4 million).



## 11. Revenues

The Company's royalty production revenue is determined pursuant to the terms of its royalty agreements. The transaction price for crude oil, natural gas liquids ("NGL") and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

Royalty production revenue is generally received two months after the crude oil, NGL, and natural gas are produced. For royalty production volumes taken-in-kind, revenue is typically collected on the 25th day of the month following production. Lease rental revenue for the entire primary term is recorded when the lease is executed. Lease rental revenue for any subsequent period is recorded as due which is generally annually on the anniversary of the lease extension. Both the amount and timing of bonus consideration revenue can vary significantly from period to period as it is recorded when a new lease is executed and relates to the unique circumstances of each lease transaction.

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
<b>Royalty production revenue by product</b>				
Crude oil	111.1	89.6	203.4	173.4
NGL	10.0	7.9	20.2	19.1
Natural gas	4.4	10.9	15.1	32.7
	125.5	108.4	238.7	225.2
<b>Other revenue</b>				
Lease rental income	2.8	2.6	3.8	3.7
Bonus consideration	6.7	5.7	10.9	11.2
Other income	0.6	0.7	2.9	3.4
	10.1	9.0	17.6	18.3
<b>Revenues</b>	<b>135.6</b>	<b>117.4</b>	<b>256.3</b>	<b>243.5</b>

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
<b>Revenues by classification</b>				
Lessor Interests on Fee Lands	82.4	74.2	156.1	149.6
GORR Interests	43.1	34.2	82.6	75.6
Royalty production revenue	125.5	108.4	238.7	225.2
Other revenue	10.1	9.0	17.6	18.3
<b>Revenues</b>	<b>135.6</b>	<b>117.4</b>	<b>256.3</b>	<b>243.5</b>

At June 30, 2024, receivables from contracts with customers, which are included in accounts receivable and accrued royalty revenue, totaled \$71.8 million (December 31, 2023 - \$61.6 million).

## 12. Administrative Expenses

(\$ millions)	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
Salaries and benefits		3.9	3.7	7.9	7.5
Share-based compensation	10	2.9	7.2	11.6	11.8
Office expense		0.8	1.0	1.7	1.9
Public company expense		0.6	0.5	1.4	1.4
Information technology and other		0.8	0.6	1.8	1.3
<b>Administrative expenses</b>		<b>9.0</b>	<b>13.0</b>	<b>24.4</b>	<b>23.9</b>



## 13. Income Taxes

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Current tax expense	19.0	13.0	33.7	29.5
Deferred tax expense	0.2	2.1	0.3	3.2
<b>Income tax expense</b>	<b>19.2</b>	<b>15.1</b>	<b>34.0</b>	<b>32.7</b>

## 14. Capital Management

The Company's objective when managing its capital structure is to maintain financial flexibility in order to distribute cash to shareholders in the form of dividends and share repurchases and cancellations after consideration of the Company's financial requirements for its business and future growth opportunities. As a royalty company, PrairieSky does not have capital expenditure requirements, which enhances its financial flexibility.

The Company's capital structure is comprised of bank debt, shareholders' equity and working capital. The Company's capital structure is managed by taking into account operating activities, dividends paid to shareholders, common share repurchases, taxes, liquidity available under the Sustainable Credit Facility (refer to Note 7), and other factors. The Company's operating results and capital structure are impacted by the level of development activity by third parties on the Royalty Properties and the resultant royalty production volumes, commodity prices and level of costs incurred by the Company.

(\$ millions)	Notes	As at June 30, 2024	As at December 31, 2023	As at June 30, 2023
Shareholders' equity		2,754.8	2,766.4	2,758.4
Current portion of bank debt	7	147.4	-	-
Working capital deficiency excluding current portion of bank debt		27.2	34.1	34.4
Working capital deficiency		174.6	34.1	34.4
Bank debt	7	-	188.0	241.5
Net debt		174.6	222.1	275.9
Capitalization		2,929.4	2,988.5	3,034.3

The Company's capital structure is managed through its financial and operating forecast process. The forecast of the Company's future cash flows is based on estimates of production, crude oil, natural gas and NGL prices, production and mineral tax expense, administrative expenses, current 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 could impact cash flow. 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. During the six months ended June 30, 2024, the Company has generated funds from operations of \$189.1 million, paid dividends of \$117.0 million, made royalty acquisitions for cash consideration of \$21.1 million and reduced bank debt by \$40.8 million. The Company had a working capital deficiency (excluding bank debt) of \$27.2 million at June 30, 2024 and bank debt of \$147.4 million. The Company's working capital includes \$14.1 million (December 31, 2023 - \$11.8 million) related to the liability for vested cash-settled DSUs issued to non-executive directors which only become payable when a director is no longer a member of the Board (refer to Note 10).



## 15. Financial Instruments and Risk Management

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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The fair values of accounts receivable and accrued royalty revenue, accounts payable and accrued liabilities, and dividend payable approximate their carrying amount due to the short-term maturity of those instruments. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount.

### RISKS ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

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The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risk (such as commodity price and interest rate risk), 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 on its 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 three and six months ended June 30, 2024, a 1% change (plus or minus) in the interest rate would have resulted in a corresponding change to net earnings before taxes of \$0.5 million and \$1.0 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. A substantial portion of the Company's accounts receivable are from royalty agreements with crude oil and natural gas industry operators and are subject to normal industry credit risks. The Company's diversified revenue stream limits the size of any one property or industry operator with respect to total receivables. In addition, the Company takes certain of its production in-kind to mitigate credit risk and in certain cases, has put a letter of credit in place with producers.

Of the Company's outstanding receivables at June 30, 2024, none are aged over 90 days (December 31, 2023 - \$nil) and the Company is satisfied its accounts receivable amounts are collectible. As at June 30, 2024, there was one counterparty whose balance owing, individually accounted for more than 10% of the total accounts receivable balance. The maximum credit risk exposure associated with accounts receivable and accrued royalty revenue is the total carrying value.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting a demand to fund financial liabilities as they come due. The Company manages its liquidity risk using cash and debt management programs, including financial forecasting. At June 30, 2024, the Company had unused capacity under its Sustainable Credit Facility of \$577.3 million (refer to Note 7).



The timing of expected cash outflows relating to bank debt of \$147.4 million, accounts payable and accrued liabilities of \$38.2 million, income tax payable of \$3.7 million and dividend payable of \$59.7 million is less than one year. The Company intends to renegotiate or obtain replacement financing in relation to bank debt maturing within the next year. Historically, the Company has been able to renegotiate terms at competitive market rates. Included in accounts payable and accrued liabilities is \$14.1 million related to vested cash settled DSUs issued to non-executive directors which become payable only when a Director is no longer a member of the Board. Management maintains a conservative approach to debt management that aims to provide financial flexibility with respect to acquisitions and the dividend rate. The Board reviews and determines the dividend rate after considering expected commodity prices, foreign exchange rates, royalty production volumes, economic conditions, income taxes, and PrairieSky's capacity to fund its expenses and investing opportunities.

## 16. Supplementary Information

### NET CHANGE IN NON-CASH WORKING CAPITAL

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Source (use) of cash:				
Accounts receivable and accrued royalty revenue	25.9	50.1	(10.9)	18.9
Prepays	(1.6)	(1.7)	(1.2)	(1.5)
Income tax receivable	-	1.2	-	-
Accounts payable and accrued liabilities	(33.3)	(48.2)	2.8	1.4
Income tax payable	2.2	2.9	(0.8)	(83.6)
Changes in non-cash working capital	(6.8)	4.3	(10.1)	(64.8)
Related to operating activities	(6.8)	4.3	(10.1)	(64.8)



# Corporate Information

## BOARD OF DIRECTORS

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Margaret A. McKenzie<sup>(1)</sup>  
Anna M. Alderson<sup>(2)(4)</sup>  
Anuroop S. Duggal<sup>(2)(3)</sup>  
P. Jane Gavan<sup>(3)</sup>  
Glenn A. McNamara<sup>(3)(4)</sup>  
Andrew M. Phillips  
Sheldon B. Steeves<sup>(2)(3)(4)</sup>

- (1) Chair of the Board.
- (2) Member of the Audit Committee. Ms. Alderson is the Chair of the Audit Committee.
- (3) Member of the Governance and Compensation Committee. Ms. Gavan is the Chair of the Governance and Compensation Committee.
- (4) Member of the Reserves Committee. Mr. Steeves is the Chair of the Reserves Committee.

## OFFICERS

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Andrew M. Phillips,  
*President & Chief Executive Officer*

Pamela P. Kazeil,  
*Vice-President, Finance & Chief Financial Officer*

Daniel J. Bertram,  
*Vice-President, Business Development & Chief Commercial Officer*

Michael T. Murphy,  
*Vice-President, Geosciences and Capital Markets*

## TORONTO STOCK EXCHANGE TRADING SYMBOL

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PSK

## INDEPENDENT RESERVE EVALUATORS

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GLJ Ltd.

## TRANSFER AGENT

---

TSX Trust Company

## AUDITORS

---

KPMG LLP

## BANKERS

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Toronto-Dominion Bank

## CORPORATE OFFICE

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Suite 1700 - 350 7 Avenue S.W.  
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