



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED **DECEMBER 31, 2025 AND 2024**

SIMPLIFIED
ENERGY
INVESTING

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Management's Report

The accompanying consolidated financial statements of PrairieSky Royalty Ltd. have been prepared by management, who is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, PrairieSky Royalty Ltd. maintains policies, procedures and systems of internal control to ensure that reporting practices and accounting and administrative procedures are appropriate to provide reasonable assurance that the assets are safeguarded, transactions are properly authorized and relevant and reliable financial information is produced.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and as described in the accompanying notes. Where appropriate, management has made informed judgments and estimates to determine certain amounts. Management has determined such amounts on a reasonable basis, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Independent auditors, KPMG LLP, were appointed by the shareholders to perform an examination of the corporate and accounting records so as to express an opinion on the consolidated financial statements. Their examination included tests and procedures considered necessary to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee, which is comprised entirely of independent directors. The Audit Committee meets regularly with the auditors and management to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend the consolidated financial statements be presented to the Board of Directors for approval. The auditors have full and direct access to the Audit Committee and meet periodically with the Audit Committee both with and without management present to discuss their audit and related findings. The Board of Directors has approved the consolidated financial statements.

(signed) "Andrew M. Phillips"

Andrew M. Phillips
President & Chief Executive Officer

Calgary, Alberta
February 9, 2026

(signed) "Pamela P. Kazeil"

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



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of PrairieSky Royalty Ltd.

Opinion

We have audited the consolidated financial statements of PrairieSky Royalty Ltd. (the Company), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the royalty revenue accrual

Description of the matter

We draw attention to note 3(J), note 4(E) and note 12 to the financial statements. The Company's royalty revenue accrual as of December 31, 2025 was \$63.3 million, of which a portion related to crude oil and natural gas. The Company earns royalty revenue from the sale of crude oil and natural gas that is recognized as it accrues in accordance with the terms of the royalty agreements, which is generally in the month when the crude oil and natural gas is produced.

The estimate of the royalty revenue accrual is based upon certain significant assumptions:

- Royalty production
- Realized commodity prices

Royalty production is based on both historical production information and publicly available production data adjusted pursuant to the terms of the Company's royalty agreements. The realized commodity prices are based on publicly available benchmark commodity prices, adjusted for quality, location, allowable deductions, or other factors pursuant to the terms of the royalty agreements for crude oil and natural gas.

Why the matter is a key audit matter

We identified the assessment of the royalty revenue accrual as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the royalty revenue accrual and the high degree of estimation uncertainty in determining the royalty revenue accrual. Significant auditor judgment and effort was required to evaluate evidence for the Company's royalty production and realized commodity price assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We compared the Company's prior year's royalty revenue accrual to actual royalty production and realized commodity prices to assess the Company's ability to accurately estimate.

We evaluated the reasonableness of the Company's royalty revenue accrual by:



- Comparing the Company's royalty production assumptions for crude oil and natural gas to 2025 royalty production received. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the royalty production assumptions
- Developing an expectation of the realized commodity price assumptions for crude oil and natural gas based on publicly available benchmark commodity prices adjusted for quality, location, allowable deductions, or other factors
- Developing an expectation of the royalty revenue accrual for crude oil and natural gas based on the Company's historical royalty production and our expectation of the realized commodity price assumptions and comparing the expectation to the Company's royalty revenue accrual
- Comparing a portion of the royalty revenue accrual to cash received subsequent to December 31, 2025, for a selection of customers.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Sharlene Jean Wilson.

Calgary, Canada

February 9, 2026



Consolidated Statements of Financial Position

(\$ millions)	Notes	As at December 31, 2025	As at December 31, 2024
Assets			
Current assets			
Accounts receivable and accrued royalty revenue	16	\$ 63.3	\$ 69.0
Prepays		0.7	0.9
		64.0	69.9
Royalty assets, net	5	969.5	989.8
Exploration and evaluation assets	6	1,482.6	1,517.7
Goodwill	7	631.0	631.0
Total Assets		\$ 3,147.1	\$ 3,208.4
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	37.7	44.2
Income tax payable		1.1	6.5
Dividend payable	10	60.5	59.9
		99.3	110.6
Bank debt	9, 16	241.2	94.2
Lease obligation		1.2	1.3
Share-based compensation payable	11	15.0	16.4
Deferred income taxes	14	247.8	243.2
Total Liabilities		604.5	465.7
Shareholders' Equity			
Shareholders' capital	10	3,315.3	3,404.2
Paid in surplus		6.0	6.0
Deficit		(778.7)	(667.5)
Total Shareholders' Equity		2,542.6	2,742.7
Total Liabilities and Shareholders' Equity		\$ 3,147.1	\$ 3,208.4

Commitments (Note 18)

See accompanying Notes to the Consolidated Financial Statements.

Approved on behalf of the Board of Directors of PrairieSky Royalty Ltd:

(signed) "Margaret A. McKenzie"

(signed) "Anna M. Alderson"

Margaret A. McKenzie
Chair of the Board of Directors and Director

Anna M. Alderson
Chair of the Audit Committee and Director



Consolidated Statements of Earnings and Comprehensive Income

(\$ millions, except per share amounts)	Notes	For the year ended December 31	
		2025	2024
Revenues			
Royalty production revenue	12	\$ 441.7	\$ 465.8
Other revenue	12	36.5	43.4
Revenues		478.2	509.2
Expenses			
Administrative	13	36.7	47.0
Production and mineral taxes		4.5	3.9
Depletion, depreciation and amortization	5	150.4	147.0
Exploration and evaluation	6	4.2	18.5
Earnings before finance items and income taxes		282.4	292.8
Finance Items			
Finance expense		13.3	12.2
Earnings before income taxes		269.1	280.6
Income tax expense	14	64.1	65.3
Net Earnings and Comprehensive Income		\$ 205.0	\$ 215.3
Net Earnings per Common Share			
Basic and diluted	10	\$ 0.87	\$ 0.90

See accompanying Notes to the Consolidated Financial Statements.



Consolidated Statements of Changes in Shareholders' Equity

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2024		\$ 3,404.2	\$ 6.0	\$ (667.5)	\$ 2,742.7
Net earnings		-	-	205.0	205.0
Common shares repurchased and cancelled, inclusive of all costs	10	(88.9)	-	(72.8)	(161.7)
Dividends on common shares	10	-	-	(243.4)	(243.4)
Balance at December 31, 2025		\$ 3,315.3	\$ 6.0	\$ (778.7)	\$ 2,542.6

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2023		\$ 3,404.2	\$ 6.0	\$ (643.8)	\$ 2,766.4
Net earnings		-	-	215.3	215.3
Dividends on common shares	10	-	-	(239.0)	(239.0)
Balance at December 31, 2024		\$ 3,404.2	\$ 6.0	\$ (667.5)	\$ 2,742.7

See accompanying Notes to the Consolidated Financial Statements.



Consolidated Statements of Cash Flows

(\$ millions)	Notes	For the year ended December 31	
		2025	2024
Operating Activities			
Net earnings		\$ 205.0	\$ 215.3
Depletion, depreciation and amortization	5	150.4	147.0
Exploration and evaluation	6	4.2	18.5
Deferred tax expense (recovery)	14	4.6	(0.2)
Share-based compensation, net of cash settlements	11	(11.9)	7.5
Other revenue - non-cash	12	-	(8.2)
Amortization of debt issuance costs	9	0.6	0.5
Interest on lease obligation		0.1	0.1
Funds from operations		353.0	380.5
Net change in non-cash working capital	17	4.4	(0.6)
Cash From Operating Activities		357.4	379.9
Investing Activities			
Royalty asset acquisitions	5	(41.8)	(15.0)
Exploration and evaluation acquisitions	6	(58.1)	(34.1)
Royalty asset dispositions	5	0.7	-
Cash Used in Investing Activities		(99.2)	(49.1)
Financing Activities			
Bank debt draws (repayments)	9	147.2	(93.0)
Dividends paid on common shares	10	(242.8)	(236.4)
Common shares repurchased, inclusive of all costs	10	(161.7)	-
Debt issuance costs	9	(0.8)	(1.3)
Payments on lease obligation		(0.1)	(0.1)
Cash Used in Financing Activities		(258.2)	(330.8)
Change in Cash and Cash Equivalents		-	-
Cash and Cash Equivalents, Beginning of Year		-	-
Cash and Cash Equivalents, End of Year		\$ -	\$ -
The following are included in cash flow from operating activities:			
Income taxes paid in cash		\$ 68.1	\$ 63.5
Interest paid in cash		12.0	10.3
Interest received in cash		2.0	0.5

See accompanying Notes to the Consolidated Financial Statements.



NOTES TO THE DECEMBER 31, 2025 AND 2024 CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS IN \$ MILLIONS UNLESS NOTED OTHERWISE)

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"), 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 oil and natural gas royalty assets that provide the Company with short, medium and long-term value enhancement potential. The Company does not directly conduct operations to explore for, develop or produce oil or natural gas; rather, third-party development of the Royalty Properties provides the Company with royalty revenue as oil 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 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

2. Basis of Presentation

These consolidated financial statements (the "financial statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 February 9, 2026.

3. Summary of Material Accounting Policies

A. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian dollars, which is the functional currency of PrairieSky and its subsidiaries.

B. PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of the Company and all of its subsidiary companies. Subsidiaries are all entities over which the Company has control. Subsidiaries are consolidated from the date on which the Company obtains control.

Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated upon consolidation.



C. ROYALTY ASSETS

Royalty assets are measured at cost less accumulated depletion, depreciation and amortization. All costs directly associated with fee simple lands and royalty interests are capitalized. Costs include acquisitions of royalty interests with oil and natural gas reserves and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable oil and natural gas reserves as determined by external independent qualified reserves evaluators. The Company is not responsible for future capital costs associated with the Royalty Properties and, as such, reserves data does not include any undeveloped reserves.

For divestitures of properties, a gain or loss is recognized in net earnings. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net earnings.

D. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets consist of expenditures incurred in an exploration area pending the determination of technical feasibility and commercial viability. These costs include unproved property acquisition costs, undeveloped land, mineral leases and seismic. Assets classified as E&E are not amortized or depleted.

Technical feasibility and commercial viability are considered to be determinable when oil and natural gas reserves are determined to exist and are capable of economic production. When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to royalty assets. Seismic value is transferred to royalty assets on a systematic basis over the term of the license or data. E&E assets are assessed for impairment prior to any such transfer, by comparing the carrying amount to the greater of the relevant asset's fair value less costs of disposal or value in use. When an area is determined not to be technically feasible and commercially viable, the unrecoverable costs are charged to net earnings as E&E expense. In addition, as Crown mineral leases and undeveloped GORR Interests expire, the costs associated with those lands are recognized as E&E expense.

E. IMPAIRMENT OF ROYALTY ASSETS AND E&E ASSETS

The carrying values of royalty assets and E&E assets are reviewed at each reporting date for indicators that the carrying value of an asset or CGU exceeds its recoverable amount. E&E assets are also reviewed for impairment indicators and assessed for impairment upon reclassification from E&E assets to royalty assets. If indicators of impairment exist, the recoverable amount of the asset or CGU is estimated. If the carrying value of the asset or CGU exceeds the recoverable amount, the asset or CGU is written down with an impairment recognized in net earnings. A CGU is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other CGUs. Based on the interdependency of the cash flows, costs capitalized within royalty assets and E&E assets are aggregated into one CGU for the purposes of impairment testing.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal or its value in use. Fair value less costs of disposal is the amount obtainable from the sale of assets in an arm's length transaction less costs of disposal. Refer to Note 3(l). Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the CGU.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less accumulated depletion as if no impairment had been recognized for the asset or CGU for prior periods. After such a reversal, the depletion expense is adjusted in future periods to allocate the CGU's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



F. GOODWILL

Goodwill represents the excess of consideration paid over the fair value of acquired assets and assumed liabilities recognized in a business combination. Subsequent measurement of goodwill is at cost less any accumulated impairments. Upon acquisition, goodwill is attributed to the applicable CGU that is expected to benefit from the business combination's synergies. This represents the lowest level that goodwill is monitored for internal management purposes.

Goodwill is tested for impairment at least annually. If the carrying amount for the CGU exceeds the recoverable amount of the CGU, including goodwill, the associated goodwill is written down with an impairment recognized in net earnings. The recoverable amount is determined based on the greater of fair value less costs of disposal or value in use. Fair value less costs of disposal is the amount obtainable from the sale of assets in an arm's length transaction less costs of disposal. Refer to Note 3(l). Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the CGU. The Company may rely on the most recent detailed recoverable amount calculation made in a preceding period when the required criteria outlined in IAS 36 *Impairment of Assets* ("IAS 36") are met. Goodwill impairments are not reversed.

G. PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required, and a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the discounted expected future cash outflows.

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefit is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the financial statements.

H. FINANCIAL INSTRUMENTS

Financial instruments are measured at fair value on initial recognition of the instrument, which is typically the transaction price unless a financial instrument contains a significant financing component. Measurement in subsequent periods depends on whether the financial instrument has been classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") as defined by the accounting standard. Accounts receivable and accrued revenue, accounts payable and accrued liabilities, bank debt, and dividend payable are measured at amortized cost.

Debt issuance costs related to the expansion of our credit facilities are capitalized (deducted from the liability) and amortized as finance expense over the term of the credit facilities. The Company has not designated any financial instruments as FVOCI or FVTPL, nor does the Company use hedge accounting.

I. FAIR VALUE MEASUREMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.



The fair value of royalty assets and E&E assets recognized in a business combination or an asset acquisition, and as determined for fair value less costs of disposal for impairment, are based on market values. The market value of royalty assets is the estimated amount for which royalty assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and with compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

J. REVENUE RECOGNITION

PrairieSky receives royalties on production from third-party development of oil and natural gas pursuant to lease agreements on its fee simple lands. PrairieSky also collects royalties on production from GORR Interests that are tied to an underlying third-party mineral lease.

The continuation of a lease is typically dependent on the holder thereof continuing to produce hydrocarbons and maintaining the lease in good standing. Accordingly, PrairieSky's performance obligations with respect to production royalties are satisfied as oil and natural gas are produced.

Royalty revenue from the sale of crude oil, natural gas liquids ("NGL") and natural gas is recognized as it accrues in accordance with the terms of the royalty agreement, which is generally in the month when the product is produced with production volumes primarily marketed with lessees' production. Revenue for royalty production that is taken-in-kind is recognized when the performance obligations are met, which is when control of the product and title are transferred to the purchaser. Royalty revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreements. An accrual is included in revenue and accounts receivable for amounts not received at the reporting date based on both historical production information and publicly available production data adjusted pursuant to the terms of the Company's royalty agreements to determine royalty production with realized commodity prices based on publicly available benchmark commodity prices adjusted for quality, location, allowable deductions, or other factors. Differences between the estimates and actual amounts received are adjusted and recorded in the period when the actual amounts are received.

Other revenue is comprised of non-royalty production revenue, including revenue generated from lease rentals and lease bonus consideration received when new leases are negotiated. The Company generates bonus consideration by leasing its mineral interests to exploration and production companies. The performance obligations for bonus consideration received for new leases and lease rentals for the term of the initial lease ("primary term") are satisfied when the lease agreement is executed, consideration receivable from the third-party is determined to be collectible, and the Company has no obligation to return the consideration received. When a lease is extended past the primary term, lease rental payments are due and recognized annually on the anniversary of the lease execution.

K. PRODUCTION AND MINERAL TAXES

Production and mineral taxes relate to payments made to provincial governments based on acreage or production of oil and natural gas on non-government owned lands which is recognized when the product is produced.

L. SHARE-BASED COMPENSATION

The Company's long-term incentive plans include performance share units ("PSUs") and restricted share units ("RSUs") issued under the Share Unit Award Incentive Plan, an Officer Deferred Share Unit ("ODSU") Plan, and a Deferred Share Unit ("DSU") Plan. Obligations for cash payments under the Company's long-term incentive plans are accrued over the vesting period using fair values.

For the cash-settled share unit awards under the Share Unit Award Incentive Plan, the ODSU Plan and the DSU Plan, fair values are determined at grant date and subsequently revalued at each reporting date



based on the market value of the Company's common shares and are recognized over the vesting period as compensation costs, with a corresponding change to liabilities. The valuation incorporates the period-end share price, dividends declared during the period, the number of units outstanding at each period end and certain management estimates, such as estimated forfeiture rates and a performance multiplier for PSUs. Classification of the associated current and long-term liabilities is dependent on the contractual payout dates.

M. INCOME TAXES

Income tax is recognized in net earnings except for items directly related to shareholders' equity, in which case it is recognized in shareholders' capital or other comprehensive income. Current income tax is measured at the amount expected to be recoverable from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax is recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability. Deferred income tax assets are recognized to the extent future recovery is probable. Deferred income tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings or in shareholders' capital depending on the item to which the adjustment relates.

Deferred income tax liabilities and assets are not recognized for temporary differences arising on:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting net earnings nor taxable earnings.

N. NET EARNINGS PER SHARE AMOUNTS

Basic net earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share is calculated giving effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The number of common shares included is computed using the treasury stock method, whereby the common shares are assumed to be purchased at the average market price for the period. The Company currently has no dilutive instruments outstanding.

O. NEW AND AMENDED ACCOUNTING STANDARDS NOT YET ADOPTED

IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* were amended in May 2024 to clarify the date of recognition and derecognition of financial assets and liabilities. The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The amendment will not have a material impact on the Company's financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") was issued in April 2024 by the International Accounting Standards Board and replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces a defined structure to the statements of earnings and comprehensive income, including



new totals, subtotals, and categories for earnings and expenses. In addition, management defined performance measures will require note disclosure. IFRS 18 is required to be adopted retrospectively and is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is evaluating the impact that this standard will have on the consolidated financial statements.

4. Material Accounting Estimates and Judgments

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.

The following discussion outlines the accounting policies and practices involving the use of judgments and estimates that are material to determining PrairieSky's financial results.

A. IDENTIFICATION OF CASH GENERATING UNITS

Cash generating units ("CGUs") are defined as the lowest level of integrated assets for which there are separately identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. The classification of assets and allocation of corporate assets into CGUs requires judgment. Factors considered in the classification include how management monitors the entity's operations, how management makes decisions about continuing or disposing of assets and operations, and the nature of the assets. Based on the way management operates, evaluates and monitors the assets and business of the Company, being as a single portfolio of assets, costs capitalized within royalty assets and E&E assets are aggregated into one CGU.

B. OIL AND GAS RESERVES

Reserves estimates are not recorded in the Company's financial statements, but they do affect net earnings and assets and liabilities through their impact on DD&A expense, amounts used for impairment calculations, deferred income taxes, and amounts used to determine fair values of assets acquired through acquisitions and business combinations. By their nature, proved and probable oil and gas reserves and the future cash flows derived from them are material estimates, which are subject to measurement uncertainty, and include significant assumptions related to future royalty production from proved and probable oil and gas reserves and future realized commodity prices. Accordingly, the impact to amounts reported in the financial statements for future periods could be material. Reserves have been evaluated at December 31, 2025 by the Company's external independent qualified reserves evaluators and have been determined pursuant to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

C. BUSINESS COMBINATIONS

Management's judgment is required to determine whether a transaction constitutes a business combination or asset acquisition based on the criteria in IFRS 3 - *Business Combinations*. Business combinations are accounted for using the acquisition method of accounting and are differentiated from an asset acquisition when business processes are associated with the assets. Refer to Note 3(I) regarding estimation uncertainty with respect to fair values assigned in a business combination. In 2025, all acquisitions were accounted for as asset acquisitions.

D. RECOVERABILITY OF ASSET CARRYING VALUES

Judgment is required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required with respect to the carrying value of royalty assets, E&E assets and goodwill. Estimation is required in determining internally developed cash flow estimates for undeveloped



properties, including the timing of third-party development, as well as determining the discount rate. Refer to Notes 3(E) and 3(F).

The application of the Company's accounting policy to transfer assets from E&E assets to royalty assets or to expense capitalized E&E assets requires management to make certain judgments based on the estimated proved and probable oil and gas reserves, if any, used in the determination of an area's technical feasibility and commercial viability.

The market value of royalty assets is estimated with reference to cash flow multiples from production of the same or similar assets, or are based on estimates of the discounted future cash flows from proved and probable oil and gas reserves. The market value of E&E assets is estimated with reference to the market values of current arm's length transactions in comparable locations, or are based on estimates of the discounted future cash flows from undeveloped properties.

The assumptions and estimates with respect to determining the fair value of royalty and E&E assets generally include estimates of discounted future cash flows from proved and probable oil and gas reserves, estimates of future royalty production from undeveloped properties including timing of third-party development, future benchmark commodity prices, reserve life and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected by changes in future depletion, depreciation and amortization ("DD&A") expense, asset impairment or goodwill impairment. The value of assets acquired through asset acquisitions is determined by allocating the purchase price based on the relative fair values.

Assumptions and estimates made in determining fair values may change significantly as new information becomes available. Changes in forward price estimates, future production costs and development expenditures for third-party operators, or recovery rates, may change the economic status of reserves estimates that may ultimately result in revision. Forward price estimates of crude oil and natural gas prices are used in the discounted cash flow model. These prices are adjusted for quality, location, allowable deductions, or other factors as applicable. Commodity prices may be impacted by multiple factors including supply and demand fundamentals, exchange rates, weather, economic and geopolitical factors and the imposition of tariffs. Changes to the discount rate used to calculate the net present value of cash flows could result in significant changes to this estimate.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

E. CRUDE OIL, NATURAL GAS AND NGL ROYALTY REVENUE ACCRUALS

The Company follows the accrual method of accounting, making estimates in its financial and operating results. This includes estimates of royalty revenue and related expenses, which are based on significant assumptions related to royalty production and realized commodity pricing, for the period reported, for which actual results have not yet been received. The Company has no operational control over the Royalty Properties and as a result, the Company uses both historical production information and publicly available production data adjusted pursuant to the terms of the Company's royalty agreements to determine royalty production. Realized commodity prices are based on publicly available benchmark commodity prices, adjusted for quality, location, allowable deductions, or other factors pursuant to the terms of the royalty agreements. These royalty revenue accrual estimates are revised based on actual royalty production volumes and realized commodity prices received in subsequent periods.

F. SHARE-BASED COMPENSATION

Estimates and assumptions are used in the valuation models to determine the fair value of share unit awards, including the number of share unit awards that will ultimately vest under the Share Unit Award Incentive Plan, which includes RSUs and PSUs, and the ODSU Plan. Estimates of forfeiture rates for RSUs, PSUs and ODSUs are made through the vesting period based on past forfeitures and future



expectations and are adjusted for actual forfeitures when RSUs, PSUs and/or ODSUs vest. Fluctuations in share-based compensation may occur due to changes in the underlying share price, and for PSUs, revised management estimates of relevant performance factors. The Board of Directors has adopted a multiple performance criteria methodology, including the Company's total shareholder return ("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 performance criteria, a range of zero to two times the original PSU grant may be eligible to vest in respect of the three-year trailing period being measured. Refer to Note 3(L). At each period end, management estimates the impact of performance, including TSR, on PSUs.

G. INCOME TAXES

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in the period of the change and future periods. In periods of rate change, the Company estimates the period of anticipated reversal of the associated deferred income tax liability to determine the appropriate tax rate to apply to temporary differences. Deferred income tax assets are recognized to the extent future recovery is probable in management's judgment. Deferred income tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered. Deferred income tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Income tax filings are subject to audits and reassessments and changes in facts, circumstances and interpretations of the standards may result in a material increase or decrease in the Company's provision for income taxes.

5. Royalty Assets, Net

(\$ millions)	Notes	
Cost		
Balance, December 31, 2023		2,219.2
Asset acquisitions		15.0
Transfers from exploration and evaluation assets	6	108.1
Increase in right-of-use asset		1.3
Balance, December 31, 2024		2,343.6
Asset acquisitions		41.8
Asset dispositions		(0.7)
Transfers from exploration and evaluation assets	6	89.0
Balance, December 31, 2025		2,473.7
Accumulated Depletion, Depreciation and Amortization		
Balance, December 31, 2023		(1,206.8)
Depletion, depreciation and amortization		(147.0)
Balance, December 31, 2024		(1,353.8)
Depletion, depreciation and amortization		(150.4)
Balance, December 31, 2025		(1,504.2)
Carrying Amounts		
Balance, December 31, 2024		989.8
Balance, December 31, 2025		969.5

For the year ended December 31, 2025, the Company recorded \$41.8 million in royalty asset acquisitions for producing oil and natural gas Lessor Interests and GORR Interests (year ended December 31, 2024 - \$15.0 million). Acquisitions include the purchase of Fee Lands, Lessor Interests and GORR Interests primarily in Central Alberta and Southeast Saskatchewan for cash consideration of \$50.4 million, after



customary closing adjustments, from a private company (the "Private Co. Royalty Acquisition") which closed on January 10, 2025. Of the total purchase price, \$32.1 million was included in royalty assets which represents the value attributed to producing royalty assets. Acquisitions during the year ended December 31, 2025 were focused on oil plays in both Alberta and Saskatchewan and primarily targeted the Basal Quartz, Mannville and Mississippian plays.

During the year ended December 31, 2024, the Company commenced a new lease for head office space in Calgary and therefore recorded a right-of-use asset and corresponding lease liability for \$1.3 million.

There was no impairment recorded upon transfer of E&E assets to royalty assets during the year. There were no indicators of impairment noted at December 31, 2025 or December 31, 2024.

6. Exploration and Evaluation Assets

(\$ millions)	Notes	
Balance, December 31, 2023		1,602.0
Asset acquisitions		42.3
Transfers to royalty assets	5	(108.1)
Land expiries		(18.5)
Balance, December 31, 2024		1,517.7
Asset acquisitions		58.1
Transfers to royalty assets	5	(89.0)
Land expiries		(4.2)
Balance, December 31, 2025		1,482.6

For the year ended December 31, 2025, E&E assets acquired totaled \$58.1 million comprised of Fee Lands and GORR Interests on non-producing assets and complementary seismic (year ended December 31, 2024 - \$42.3 million). E&E assets include \$18.3 million of non-producing royalty interests acquired through the Private Co. Royalty Acquisition. Acquisitions were focused on oil plays in both Alberta and Saskatchewan primarily targeting the Clearwater, Basal Quartz, Duvernay, Mannville and Mississippian plays.

For the year ended December 31, 2025, \$4.2 million (year ended December 31, 2024 - \$18.5 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.

There were no indicators of impairment noted at December 31, 2025 or December 31, 2024.

7. Goodwill

At December 31, 2025, goodwill was \$631.0 million (December 31, 2024 - \$631.0 million). The mandatory annual impairment test for goodwill was performed at September 30, 2025. The recoverable amount of the Company's sole CGU was determined based on a value in use calculation which requires assumptions, including future commodity prices for crude oil, natural gas and NGL and oil and gas reserves. The values of these assumptions were assigned based on external independent qualified reserves evaluators and internal engineering evaluations, and future benchmark commodity prices as at September 30, 2025, as noted below, adjusted for quality, location, allowable deductions, or other factors as applicable. The future cash flows included specific assumptions of the third-party capital to be spent developing undeveloped properties which considers historical investment adjusted for the environment at the time the calculation was prepared. The fair value measurement of the Company's goodwill is designated Level 3 on the fair value hierarchy.



Price Forecast ⁽¹⁾	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036 ⁽²⁾
West Texas Intermediate (US\$/bbl)	67.83	70.13	71.35	72.78	74.23	75.72	77.23	78.78	80.35	81.96	83.60
AECO natural gas (\$/MMbtu)	2.89	3.36	3.49	3.59	3.67	3.74	3.81	3.89	3.97	4.05	4.13
Foreign exchange rate (US\$/CAD\$)	0.733	0.740	0.743	0.743	0.743	0.743	0.743	0.743	0.743	0.743	0.743

(1) Price forecast used in the Company's pricing assumptions is the arithmetic average of the standard price forecasts from Canadian oil and gas evaluation consulting firms GLJ Ltd., McDaniel & Associates Consultants Ltd. and Sproule Associates Limited effective October 1, 2025.

(2) Forecast benchmark commodity prices are assumed to increase by 2% in each year after 2036. Forecast exchange rate is assumed to remain at 0.743 USD/CAD each year after 2036.

Based on the assessment, the recoverable amount of the CGU was estimated to be in excess of its carrying amount of \$2.6 billion (December 31, 2024 - \$2.7 billion). As such, no goodwill impairment existed. At September 30, 2025, the discount rate used for the CGU was 8%.

The Company has considered and assessed reasonably possible changes to key assumptions and has not identified any instances that would cause the carrying amount of the CGU to exceed its recoverable amount.

8. Accounts Payable and Accrued Liabilities

(\$ millions)	Notes	As at December 31, 2025	As at December 31, 2024
Trade payables		4.6	3.4
Production and mineral taxes payable		2.7	3.2
Accrued liabilities for cash settled share-based compensation	11	17.2	27.7
Current portion of lease obligation		0.1	-
Other accrued liabilities		13.1	9.9
Accounts payable and accrued liabilities		37.7	44.2

9. Bank Debt

(\$ millions)	As at December 31, 2025	As at December 31, 2024
Borrowings under Credit Facility	242.7	95.5
Unamortized debt issuance costs	(1.5)	(1.3)
Bank debt	241.2	94.2

At December 31, 2025, the Company had a \$575 million extendible revolving credit facility (the "Revolving Facility") and a \$25 million extendible operating credit facility (the "Operating Facility", and together with the Revolving Facility, the "Credit Facility"), with a syndicate of Canadian banks. During the year ended December 31, 2025, the Company exercised the accordion feature of the Credit Facility, increasing it from \$350 million to the full \$600 million permitted. All other terms under the Credit Facility were unchanged. The Credit Facility may be extended on an annual basis, subject to lender consent, and has a maturity date of February 28, 2028.

At December 31, 2025, \$242.7 million was drawn on the Credit Facility (December 31, 2024 - \$95.5 million). Borrowings under the Credit Facility bear interest at a Canadian bank prime rate, U.S. base rate, Canadian Overnight Repo Rate Average ("CORRA"), 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 effective interest rate for the year ended December 31, 2025 was 5.7% (year ended December 31, 2024 - 6.1%). Included in interest expense for 2025 are the fees related to the letter of credit which are reimbursed and included in other income as further discussed below.



Debt issuance costs incurred during the year ended December 31, 2025 of \$0.8 million (year ended December 31, 2024 - \$1.3 million) have been netted against bank debt and are being amortized over the remaining term. For the year ended December 31, 2025, total amortization of debt issuance costs was \$0.6 million (year ended December 31, 2024 - \$0.5 million).

During the fourth quarter of 2024, PrairieSky entered into an arrangement with a third-party operator to provide a letter of credit up to a maximum of \$45.0 million to secure their bank facility, providing capital to the operator to advance its Montney oil drilling program where PrairieSky has a royalty interest. PrairieSky earned interest relating to the funding arrangement which was included in other income. Costs incurred by PrairieSky relating to the funding arrangement were included in finance expense and reimbursed by the third-party, with reimbursements included in other income. During the fourth quarter of 2025, the third-party operator secured its own funding arrangement, and the letter of credit was returned and the funding arrangement terminated.

The 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 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 December 31, 2025. As at December 31, 2025, the Company was in compliance with all covenants provided for in the lending agreement and forecasts compliance with all covenants over the next 12 months.

The following table provides a list of the financial covenants as at December 31, 2025:

Covenant description ⁽¹⁾	Ratio	December 31, 2025
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.58
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.58
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	8.8%

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

10. 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 shares have the right to vote. The common shares have no par value.

ISSUED AND OUTSTANDING

	Year ended December 31, 2025		Year ended December 31, 2024	
	Number of Shares (thousands)	Amount (\$ millions)	Number of Shares (thousands)	Amount (\$ millions)
Common shares outstanding, beginning of year	238,952	3,404.2	238,952	3,404.2
Common shares repurchased and cancelled	(6,240)	(88.9)	-	-
Common shares outstanding, end of year	232,712	3,315.3	238,952	3,404.2



NORMAL COURSE ISSUER BID ("NCIB")

On May 30, 2025, 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 15,355,946 common shares over a twelve-month period which commenced on June 4, 2025 and expires no later than June 3, 2026.

During the year ended December 31, 2025, the Company purchased for cancellation 6,239,507 common shares (year ended December 31, 2024 - nil common shares) at an average cost of \$25.40 per common share (year ended December 31, 2024 - \$nil per common share) for total consideration of \$158.5 million (year ended December 31, 2024 - \$nil), inclusive of commissions, and before tax of \$3.2 million. The total cost paid, including commissions, was first charged to share capital up to the average carrying value of the common shares purchased. The remaining amount of \$72.8 million (year ended December 31, 2024 - \$nil), inclusive of tax, was recorded to the deficit.

DIVIDENDS

On December 2, 2025, the Board declared a quarterly dividend of \$0.26 per common share or \$60.5 million payable on January 15, 2026 to common shareholders of record on December 31, 2025.

(\$ millions, except \$ per share data)	Year ended December 31	
	2025	2024
Dividends declared	243.4	239.0
Dividends declared per share	1.04	1.00
Dividends paid	242.8	236.4
Dividends paid per share	1.03	0.99

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)	Year ended December 31	
	2025	2024
Net earnings	205.0	215.3
Weighted average common shares outstanding (millions) - basic and diluted	235.2	239.0
Net earnings and comprehensive income per common share - basic and diluted	0.87	0.90

11. 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 PSUs, RSUs, ODSUs and DSUs.

The Company accounts for its share-based compensation arrangements 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)	Year ended December 31	
	2025	2024
PSU expense	4.5	11.3
RSU expense	1.7	2.0
ODSU expense	1.9	3.5
DSU expense	0.9	4.4
Share-based compensation expense	9.0	21.2

The following liability for cash-settled share-based payment transactions includes the liability for vested and unvested cash-settled plans. Included with the liability for vested cash-settled plans are long-term incentive grants that are eligible to vest under the Company's retirement policy.

(\$ millions)	As at	As at
	December 31, 2025	December 31, 2024
Liability for unvested cash-settled plans	13.1	24.3
Liability for vested and eligible to vest cash-settled plans	19.1	19.8
Liability for cash-settled plans	32.2	44.1

(\$ millions)	Notes	As at	As at
		December 31, 2025	December 31, 2024
Current portion	8	17.2	27.7
Non-current portion		15.0	16.4
Liability for cash-settled plans		32.2	44.1

The liability for vested cash-settled DSUs held by non-executive directors of \$7.6 million (December 31, 2024 - \$13.9 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 share-based compensation fair value calculations at December 31, 2025 was \$27.03 (December 31, 2024 - \$28.03).

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 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, 2023	651.1
Granted	174.0
Units, in lieu of dividends	20.4
Vested	(267.0)
Issued and outstanding, December 31, 2024	578.5
Granted	140.3
Units, in lieu of dividends	20.8
Vested	(232.8)
Issued and outstanding, December 31, 2025	506.8

For the year ended December 31, 2025, the Company recorded a compensation expense of \$4.5 million (year ended December 31, 2024 - \$11.3 million) related to PSUs. At December 31, 2025, the remaining weighted average life of outstanding PSUs is 1.0 year.

During the year ended December 31, 2025, 232,800 units from the 2022 PSU grant, inclusive of dividend entitlements, vested resulting in the cash payout of \$11.9 million (year ended December 31, 2024 - 267,000 units, inclusive of dividend entitlements, from the 2021 PSU grant, vested resulting in a cash payout of \$9.8 million).

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, 2023	136.6
Granted	76.8
Units, in lieu of dividends	4.4
Vested	(67.2)
Forfeited	(13.7)
Issued and outstanding, December 31, 2024	136.9
Granted	58.7
Units, in lieu of dividends	4.8
Vested	(65.7)
Forfeited	(10.3)
Issued and outstanding, December 31, 2025	124.4

For the year ended December 31, 2025, the Company recorded compensation expense of \$1.7 million (year ended December 31, 2024 - \$2.0 million) related to RSUs. At December 31, 2025, the remaining weighted average life of outstanding RSUs is 0.6 years.

During the year ended December 31, 2025, the cash payout related to vested RSUs was \$1.8 million (year ended December 31, 2024 - \$1.6 million), comprised of 65,700 units (year ended December 31, 2024 - 67,200 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 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:

<i>Outstanding ODSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2023	270.5
Granted	56.4
Units, in lieu of dividends	11.8
Issued and outstanding, December 31, 2024	338.7
Granted	71.3
Units, in lieu of dividends	17.8
Issued and outstanding, December 31, 2025	427.8

For the year ended December 31, 2025, the Company recorded a compensation expense of \$1.9 million (year ended December 31, 2024 - \$3.5 million) related to ODSUs. At December 31, 2025, 103,500 ODSUs have not yet vested and the remaining weighted average time until vesting is 0.2 years.

There were no cash payouts related to ODSUs during the years ended December 31, 2025 or December 31, 2024.

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 15th of the year following departure. For the year ended December 31, 2025, 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 redemption date, multiplied by the number of settled DSUs inclusive of dividend entitlements, 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, 2023	506.4
Granted	53.0
Units, in lieu of dividends	19.0
Redeemed	(81.9)
Issued and outstanding, December 31, 2024	496.5
Granted	38.1
Units, in lieu of dividends	20.6
Redeemed	(269.7)
Issued and outstanding, December 31, 2025	285.5

For the year ended December 31, 2025, the Company recorded a compensation expense of \$0.9 million (year ended December 31, 2024 - \$4.4 million) related to DSUs.

During the year ended December 31, 2025, 269,700 units (year ended December 31, 2024 - 81,900 units) were redeemed relating to director retirements, resulting in a cash payout of \$7.2 million (year ended December 31, 2024 - \$2.3 million) related to DSUs.

12. Revenues

The Company's royalty production revenue is determined pursuant to the terms of its royalty agreements. The transaction price for crude oil, 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) Royalty production revenue by product	Year ended December 31	
	2025	2024
Crude oil	378.2	404.1
NGL	34.8	37.7
Natural gas	28.7	24.0
	441.7	465.8
Other revenue		
Lease rental income	7.4	8.1
Bonus consideration	22.6	30.8
Other income	6.5	4.5
	36.5	43.4
Revenues	478.2	509.2



(\$ millions) Revenues by classification	Year ended December 31	
	2025	2024
Lessor Interests on Fee Lands	273.5	305.2
GORR Interests	168.2	160.6
Royalty production revenue	441.7	465.8
Other revenue	36.5	43.4
Revenues	478.2	509.2

At December 31, 2025, receivables from contracts with customers, which are included in accounts receivable and accrued royalty revenue, totaled \$63.3 million (December 31, 2024 - \$69.0 million).

13. Administrative Expenses

(\$ millions)	Notes	Year ended December 31	
		2025	2024
Salaries and benefits		18.7	17.6
Share-based compensation	11	9.0	21.2
Office expense		3.5	3.2
Public company expense		2.1	2.1
Information technology		3.4	2.9
Administrative expenses		36.7	47.0

14. Income Taxes

(\$ millions)	Year ended December 31	
	2025	2024
Current tax expense	59.5	65.5
Deferred tax expense (recovery)	4.6	(0.2)
Income tax expense	64.1	65.3

The following table reconciles income taxes calculated at the combined federal and provincial statutory tax rates with actual income taxes:

(\$ millions, except otherwise noted)	Year ended December 31	
	2025	2024
Net earnings before income taxes	269.1	280.6
Statutory tax rate	23.5%	23.5%
Expected income taxes	63.2	65.9
Effect on taxes resulting from:		
Permanent differences	0.9	(0.2)
Rate change and other	0.1	(0.9)
Tax true-up	(0.1)	0.5
Income tax expense	64.1	65.3

The Company has not recognized tax deductible temporary differences of \$0.8 million as at December 31, 2025 (December 31, 2024 - \$5.8 million) related to the excess of tax pools acquired over the carrying value of certain net assets that were not a business combination and were therefore subject to the initial recognition exemption under IAS 12 - *Income Taxes*. The unrecognized deferred income tax asset is being amortized based on the net tax pool claims calculated for the period. The reversal of the



unrecognized deferred income tax asset for the year ended December 31, 2025 was \$1.2 million (December 31, 2024 - \$2.2 million).

The deferred income tax charged to net earnings and the net deferred income tax liability consists of:

(\$ millions)	Balance, December 31, 2024	Recognized in net earnings	Recognized directly in equity	Balance, December 31, 2025
Royalty and E&E assets	253.9	1.4	-	255.3
Share-based compensation	(10.3)	2.7	-	(7.6)
Share issue costs	(0.4)	0.5	-	0.1
Deferred income taxes	243.2	4.6	-	247.8

(\$ millions)	Balance, December 31, 2023	Recognized in net earnings	Recognized directly in equity	Balance, December 31, 2024
Royalty and E&E assets	252.6	1.3	-	253.9
Share-based compensation	(8.3)	(2.0)	-	(10.3)
Share issue costs	(0.9)	0.5	-	(0.4)
Deferred income taxes	243.4	(0.2)	-	243.2

15. 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 Credit Facility (refer to Note 9), 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 December 31, 2025	As at December 31, 2024
Shareholders' equity		2,542.6	2,742.7
Working capital deficiency		35.3	40.7
Bank debt	9	241.2	94.2
Net debt		276.5	134.9
Capitalization		2,819.1	2,877.6



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, other revenue, 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 year ended December 31, 2025, the Company generated funds from operations of \$353.0 million, repurchased and cancelled shares for \$161.7 million, inclusive of all costs, paid dividends of \$242.8 million and made net acquisitions for \$99.2 million. The Company had a working capital deficiency of \$35.3 million at December 31, 2025 and bank debt of \$241.2 million. The Company's working capital includes \$7.6 million (December 31, 2024 - \$13.9 million) related to the liability for vested cash-settled DSUs issued to non-executive directors which becomes payable only when a director is no longer a member of the Board (refer to Note 11).

16. Financial Instruments and Risk Management

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risk (such as commodity price risk 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 may be impacted by global and regional factors, including levels of supply and demand, weather, geopolitical factors, including the imposition of tariffs, 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 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 the year ended December 31, 2025, a 1% change (plus or minus) in the interest rate would have resulted in a corresponding change to net earnings before taxes of \$2.3 million. 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 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.

The Company has no outstanding receivables aged over 90 days at December 31, 2025 (December 31, 2024 - \$nil) and the Company is satisfied its accounts receivable amounts are collectible. As at December 31, 2025, one counterparty has a balance owing that individually accounted for approximately 15% 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 December 31, 2025, the Company had unused capacity under its Credit Facility of \$357.3 million (refer to Note 9).

The timing of expected cash outflows relating to accounts payable and accrued liabilities of \$37.7 million, income tax payable of \$1.1 million and dividend payable of \$60.5 million is less than one year. Included in accounts payable and accrued liabilities is \$7.6 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, share buybacks and the dividend rate. The Board reviews and determines the dividend policy after considering expected commodity prices, foreign exchange rates, royalty production volumes, economic conditions, income taxes, bank debt and PrairieSky's capacity to fund its expenses and investing opportunities, including repurchases under the NCIB.

17. Supplementary Information

NET CHANGE IN NON-CASH WORKING CAPITAL

(\$ millions)	Year ended December 31	
	2025	2024
Source (use) of cash:		
Accounts receivable and accrued royalty revenue	5.7	(7.4)
Prepays	0.2	(0.2)
Accounts payable and accrued liabilities	3.9	5.0
Income tax payable	(5.4)	2.0
Changes in non-cash working capital	4.4	(0.6)
Related to operating activities	4.4	(0.6)



18. Commitments

The Company has in place three royalty acquisition agreements with unrelated parties, all of which expire on or before December 31, 2026. At December 31, 2025, the total remaining commitment under these agreements was \$7.6 million.

The Company is committed to the following payments under the office lease contract:

(\$ millions)	
2026	0.9
2027	0.9
2028	0.9
2029	1.0
Thereafter	5.4
Total lease obligation⁽¹⁾	9.1

(1) Includes variable operating costs related to the Company's lease obligation.

19. Related Party Transactions

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The following table summarizes compensation expense, cash and non-cash, all of which are included in administrative expenses, related to officers and directors of the Company:

(\$ millions)	Notes	Year ended December 31	
		2025	2024
Salaries, bonuses, directors' fees and other benefits		5.1	5.5
Share-based compensation	11	7.3	19.2
Key management personnel compensation		12.4	24.7



Corporate Information

BOARD OF DIRECTORS

Margaret A. McKenzie⁽¹⁾
Anna M. Alderson⁽²⁾⁽⁴⁾
Anuroop S. Duggal⁽²⁾⁽³⁾
Ian C. Dundas
P. Jane Gavan⁽²⁾⁽³⁾
Glenn A. McNamara⁽³⁾⁽⁴⁾
Andrew M. Phillips
Sheldon B. Steeves⁽³⁾⁽⁴⁾

- (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. Mr. McNamara 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

Andrew M. Phillips,
President & Chief Executive Officer

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

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

Michael T. Murphy,
Vice-President, Geosciences & Capital Markets

TORONTO STOCK EXCHANGE TRADING SYMBOL

PSK

INDEPENDENT RESERVE EVALUATORS

GLJ Ltd.

TRANSFER AGENT

Odyssey Trust Company

AUDITORS

KPMG LLP

BANKERS

Toronto-Dominion Bank

CORPORATE OFFICE

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