MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED **DECEMBER 31, 2022 AND 2021**

HIGH MARGINS
ZERO CAPITAL
CARBON NEUTRAL

TSX | **PSK**

PRAIRIESKY
ROYALTY LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for PrairieSky Royalty Ltd. ("PrairieSky" or the "Company") should be read in conjunction with the audited consolidated financial statements as at and for years ended December 31, 2022 and 2021 ("financial statements"). This MD&A has been prepared as of February 6, 2023.

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

Certain measures and ratios in this document do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-GAAP measures and ratios. Non-GAAP measures and ratios are commonly used in the oil and gas industry and by PrairieSky to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to conduct its business. Non-GAAP measures and ratios include Operating Netback, Operating Netback per BOE, Operating Margin, Cash Administrative Expenses, and Cash Administrative Expenses per BOE. Further information can be found in the Non-GAAP Measures and Ratios section of this MD&A.

The following volumetric measures may be abbreviated throughout this MD&A: barrel ("bbl") per day ("bbls/d"), barrel of oil equivalent ("BOE") per day ("BOE/d"), thousand cubic feet ("Mcf"), and million cubic feet ("MMcf") per day ("MMcf/d"). BOE is an industry measurement to summarize the amount of energy equivalent found in a barrel of crude oil. See the discussion on energy conversions in the Advisory section of this MD&A for further explanation.

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

Cover: Carbon neutral refers to Scope 1 and Scope 2 emissions. For more information, review our PWC Assurance Statement located in the "Responsibility" section of our website at www.prairiesky.com.

Financial and Operational Results

(millions, except per share or as otherwise noted)	Three months ended December 31 2022	Three months ended December 31 2021	Year ended December 31 2022	Year ended December 31 2021
FINANCIAL				
Revenues	**$ 150.6**	$ 100.6	**$ 643.3**	$ 308.0
Funds from Operations	**119.5**	101.8	**507.6**	273.4
Per Share - Basic(1)	**0.50**	0.45	**2.13**	1.22
Per Share - Diluted(1)	**0.50**	0.45	**2.12**	1.22
Net Earnings	**67.3**	43.7	**317.5**	123.3
Per Share - Basic and Diluted(1)	**0.28**	0.19	**1.33**	0.55
Dividends Declared(2)	**57.3**	21.5	**143.3**	70.5
Per Share	**0.24**	0.09	**0.60**	0.31
Acquisitions	**6.2**	745.3	**30.6**	987.1
Net Debt(3)	**315.1**	635.0	**315.1**	635.0
Common Share Repurchases	**-**	1.5	**-**	22.7
Shares Outstanding				
Shares Outstanding at Period End	**238.9**	238.8	**238.9**	238.8
Weighted Average - Basic	**238.8**	224.8	**238.8**	223.3
Weighted Average - Diluted	**239.2**	225.3	**239.1**	223.8
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	**12,166**	8,311	**11,739**	7,541
NGL (bbls/d)	**2,681**	2,029	**2,684**	2,436
Natural Gas (MMcf/d)	**66.4**	60.0	**64.7**	59.1
Royalty Production (BOE/d)(4)	**25,914**	20,340	**25,206**	19,827
Realized Pricing				
Crude Oil ($/bbl)	**88.36**	80.13	**102.88**	69.38
NGL ($/bbl)	**54.56**	57.27	**59.73**	41.14
Natural Gas ($/Mcf)	**5.30**	4.04	**4.93**	2.98
Total ($/BOE)(4)	**60.74**	50.34	**66.92**	40.32
Operating Netback per BOE(5)	**57.89**	46.76	**63.43**	37.03
Funds from Operations per BOE	**50.12**	54.40	**55.17**	37.78
Oil Price Benchmarks				
West Texas Intermediate (WTI) (US$/bbl)	**82.64**	77.19	**94.23**	67.92
Edmonton Light Sweet ($/bbl)	**110.04**	93.30	**120.07**	80.23
Western Canadian Select (WCS) crude oil differential to WTI (US$/bbl)	**(25.66)**	(14.64)	**(18.22)**	(13.04)
Natural Gas Price Benchmark				
AECO Monthly Index ($/Mcf)	**5.58**	4.94	**5.56**	3.56
AECO Daily Index ($/Mcf)	**5.11**	4.66	**5.31**	3.62
Foreign Exchange Rate (US$/CAD$)	**0.7365**	0.7909	**0.7683**	0.7973

(1) Net Earnings and Funds from Operations per Share are calculated using the weighted average number of basic and diluted common shares outstanding.
(2) A dividend of $0.24 per common share was declared on December 6, 2022. The dividend was paid on January 16, 2023 to shareholders of record as at December 30, 2022.
(3) See Note 15 "Capital Management" in the financial statements and the section "Capital Management" contained within this MD&A.
(4) See "Conversions of Natural Gas to BOE".
(5) Operating Netback per BOE is defined under the Non-GAAP Measures and Ratios section in this MD&A.

Results Overview

HIGHLIGHTS

Highlights of PrairieSky's financial results for the three months ended December 31, 2022 ("Q4 2022") as compared to the three months ended December 31, 2021 ("Q4 2021") include:

- Revenues totaled $150.6 million in Q4 2022, a 50% increase over Q4 2021 revenues of $100.6 million and consisted of $144.8 million of royalty production revenue, $2.1 million of lease rental income, $3.0 million of bonus consideration and $0.7 million of other income.
- Q4 2022 funds from operations totaled $119.5 million ($0.50 per share basic and diluted), a 17% increase over Q4 2021 funds from operations of $101.8 million ($0.45 per share basic and diluted).
- During Q4 2022, royalty production averaged 25,914 BOE per day (57% liquids), 27% higher than Q4 2021 royalty production volumes of 20,340 BOE per day (51% liquids), comprised of average crude oil royalty production volumes of 12,166 barrels per day, average NGL royalty production volumes of 2,681 barrels per day and average natural gas royalty production volumes of 66.4 MMcf per day.
- Dividends declared of $57.3 million ($0.24 per share) in Q4 2022 as compared to $21.5 million ($0.09 per common share in Q4 2021 reflecting a 167% increase in PrairieSky's dividend.
- On October 24, 2022, PrairieSky announced an increase to its quarterly dividend to $0.24 per share ($0.96 per common share annualized) effective for the December 30, 2022 record date.

Highlights of PrairieSky's financial results for the year ended December 31, 2022 ("YE 2022") as compared to the year ended December 31, 2021 ("YE 2021") include:

- Revenues totaled $643.3 million for YE 2022, up 109% over YE 2021 revenues of $308.0 million, and consisted of $615.7 million of royalty production revenue, $7.8 million of lease rental income, $16.2 million of bonus consideration and $3.6 million of other income.
- YE 2022 funds from operations totaled $507.6 million ($2.13 per share basic and $2.12 per share diluted) an increase of 86% over YE 2021 funds from operations of $273.4 million ($1.22 per share basic and diluted).
- Royalty production averaged 25,206 BOE per day (57% liquids) for YE 2022 which represents a 27% increase over YE 2021 average royalty production of 19,827 BOE per day (50% liquids) and consisted of average crude oil royalty production volumes of 11,739 barrels per day, average NGL royalty production volumes of 2,684 barrels per day and average natural gas royalty production volumes of 64.7 MMcf per day.
- Dividends declared of $143.3 million ($0.60 per share) for YE 2022, a 103% increase as compared to $70.5 million ($0.31 per share) in YE 2021.
- At December 31, 2022, net debt totaled $315.1 million, a 50% reduction from December 31, 2021.

PRAIRIESKY'S 2023 OUTLOOK

Management does not provide guidance. As such, this discussion relates only to general economic conditions experienced by the Company as of the date of this MD&A. Commodity pricing remains higher than pre-pandemic and prior year levels due to global concerns over oil and natural gas supply, including the impacts from the continuing Russia-Ukraine conflict. More recent price volatility has arisen due to uncertainty around global output capacity, sanctions and price caps on Russian output, reopening of economies previously shut down due to COVID-19 and inflation and recessionary concerns. Canadian natural gas pricing has been variable partially as a result of maintenance and other factors impacting gathering, processing and transportation systems, including pipeline takeaway capacity during certain times of the year. With the continued strong commodity price environment, third-party operators were active across Western Canada and on PrairieSky's lands throughout 2022 and are expected to remain active into 2023. PrairieSky management continues to monitor commodity prices, industry activity levels and third-party anticipated capital expenditures for 2023 and beyond given the risk of a global economic recession as well as inflation. PrairieSky remains insulated from many direct inflationary pressures as we have no capital program or field operating costs, provided however, that we may be impacted indirectly as third-party operators review and adjust their capital programs to respond to these incremental costs, or as inflationary pressures impact the economic returns achievable on certain projects. Although PrairieSky has no operational control over third-party capital expenditures, making it difficult to predict activity levels and the timing thereof, our expansive royalty land position provides diversification of exposure to producers and plays across Western Canada.

PrairieSky's Strategy

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

PrairieSky remains disciplined in its strategy and business model which provides robust operating margins in all commodity cycles. Management continues to deploy its risk mitigating strategies including proactive monitoring of economic conditions, a constant and proactive compliance and collections program, paying close attention to controllable costs and a disciplined approach to acquisitions. PrairieSky has consistently maintained a strong balance sheet and employs a conservative capital structure. On October 24, 2022, the Company announced that the Board had increased the quarterly dividend 100% to $0.24 per common share ($0.96 per common share annualized) effective for the December 30, 2022 record date.

Business Overview

PRAIRIESKY ROYALTY

PrairieSky's asset base includes a geologically and geographically diverse portfolio of Fee Lands (as defined herein) that encompasses approximately 9.7 million acres with petroleum and/or natural gas rights and approximately 8.6 million acres of GORR Lands (as defined herein) and other acreage (collectively, the "Royalty Properties").

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

PrairieSky is focused on encouraging third parties to actively develop the Royalty Properties and growing our royalty ownership by strategically seeking additional royalty assets that provide PrairieSky with medium-term to long-term value enhancement potential. The Company does not directly conduct operations to explore for, develop or produce petroleum, NGL or natural gas; rather, third-party development of the Royalty Properties provides the Company with royalty production revenues as crude oil, NGL and natural gas are produced from such properties. PrairieSky's operations include royalty income earned through crude oil, NGL and natural gas produced on the Royalty Properties. The Company's royalty production revenues are derived from: (i) the Lessor Interests that are leased out by the Company and upon which lessees pay lessor royalties, and (ii) GORR Interests on GORR Lands.

Petroleum and natural gas royalty structures are typically linked directly to production volumes from the Royalty Properties, with certain royalty structures linked to production volumes and/or price. As a result, the Company's net earnings can be significantly impacted by fluctuations in commodity prices and production volumes. Production volumes can be influenced by various factors, including the extent of exploration and development activity by third parties on the Royalty Properties, the timing and amount of capital expenditures and field operations, and the expertise and financial resources of third-party lessees. Commodity pricing is influenced by market supply and demand as well as other factors such as weather, quality of product, access to markets, foreign currency fluctuations, geopolitical risks and international conflicts, including the Russia-Ukraine conflict, and macroeconomic events including the reopening of economies post COVID-19 lockdowns. The Company is able to mitigate some of these risks to the extent that there is a diversity of third parties actively exploring and developing the Royalty Properties, with a balanced production mix of natural gas, crude oil, and NGL, and by maintaining a low-cost business with a conservative and sustainable capital structure.

At December 31, 2022, PrairieSky receives royalty production revenue from over 43,000 wells and receives payments from approximately 325 different industry payors. The Company receives approximately 75% of its monthly revenue from 31 payors. Royalties are calculated on a fixed percentage, step or sliding scale formula. Some royalty agreements allow for the deduction of certain handling, processing, and transportation costs.

As a royalty owner, PrairieSky does not bear the operational risks typically associated with the upstream petroleum and natural gas exploration and production business. The Company is not responsible for the operational or financial risks of drilling, completing or operating wells and related infrastructure. The Company is not responsible for site restoration and abandonment costs. Capital, operational expenses and abandonment costs are the responsibility of the third parties conducting operations on the Royalty Properties. Substantially all the capital expenditures made by PrairieSky are discretionary. Costs incurred by the Company are primarily production and mineral taxes, administrative expenses, financing expense and corporate income taxes.

Royalty Production

Royalty Production Volumes

	Three months ended December 31		**Year ended December 31**	
(Average daily)	**2022**	**2021**	**2022**	**2021**
Crude Oil (bbls/d)	**12,166**	8,311	**11,739**	7,541
NGL (bbls/d)	**2,681**	2,029	**2,684**	2,436
Natural Gas (MMcf/d)	**66.4**	60.0	**64.7**	59.1
Total Royalty Production (BOE/d)	**25,914**	20,340	**25,206**	19,827

PrairieSky's average daily royalty production volumes for Q4 2022 were comprised of 47% crude oil, 10% NGL and 43% natural gas as compared to Q4 2021 when the production volume split was 41% crude oil, 10% NGL and 49% natural gas. The average daily royalty production volumes for YE 2022 were comprised of 47% crude oil, 10% NGL and 43% natural gas as compared to YE 2021 when the production volume split was 38% crude oil, 12% NGL and 50% natural gas. There is a natural delay between the timing of production and when PrairieSky receives its royalty interest production volumes and revenue from operators. Due to this delay, positive and negative adjustments related to prior periods may be included in PrairieSky's royalty production volumes and/or revenue. PrairieSky's compliance department continually reviews leasing agreements and royalty calculations. Collections related to compliance recoveries result in adjustments to royalty production volumes and royalty revenue related to prior periods. Compliance adjustments are not recorded in the financial statements until collection of amounts is certain.

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

For the three months ended December 31, 2022

Royalty production volumes totaled 25,914 BOE per day in Q4 2022, an increase of 27% over Q4 2021 royalty production volumes of 20,340 BOE per day. The increase reflects the incremental royalty production volumes from the acquisition of 1.9 million acres of royalty lands which was effective December 31, 2021 (the "Heritage Acquisition"), as well as increased third-party drilling activity on PrairieSky's Royalty Properties which is driving organic royalty production growth. A further breakdown by product is as follows:

- Crude oil royalty production volumes for Q4 2022 of 12,166 barrels per day have increased 46% from 8,311 barrels per day reported in Q4 2021 as a result of organic growth through third-party drilling activity and incremental production volumes from the Heritage Acquisition more than offsetting natural declines.

- NGL royalty production volumes for Q4 2022 of 2,681 barrels per day increased 32% from 2,029 barrels per day reported in Q4 2021 as production volumes from new wells on stream and incremental production from acquisitions offset natural declines. In addition, Q4 2021 NGL royalty volumes were negatively impacted by ethane curtailments which were not repeated in Q4 2022.

- Natural gas royalty production volumes for Q4 2022 of 66.4 MMcf per day increased 11% from 60.0 MMcf per day reported in Q4 2021 as production volumes from new wells on stream, incremental production from acquisitions and compliance recoveries more than offset natural declines.

For the year ended December 31, 2022

Royalty production volumes totaled 25,206 BOE per day for YE 2022, an increase of 27% over YE 2021 royalty production volumes of 19,827 BOE per day. As discussed above, the increase reflects the incremental royalty production volumes from a full year of royalty production from the Heritage Acquisition, as well as increased third-party drilling activity on PrairieSky's Royalty Properties which is driving organic royalty production growth. A further breakdown by product is as follows:

- Crude oil royalty production volumes for YE 2022 of 11,739 barrels per day have increased 56% from 7,541 barrels per day reported in YE 2021 as a result of organic royalty production growth through third-party drilling activity, incremental royalty production volumes from acquisitions, including royalty production volumes related to the Heritage Acquisition, and higher sliding scale royalty volumes which are correlated with higher WTI benchmark pricing.

- NGL royalty production volumes for YE 2022 of 2,684 barrels per day have increased 10% from 2,436 barrels per day reported in YE 2021 as royalty production volumes from new wells on stream and incremental royalty production from acquisitions more than offset natural declines.

- Natural gas royalty production volumes for YE 2022 of 64.7 MMcf per day increased 9% from 59.1 MMcf per day reported in YE 2021 as production volumes from new wells on stream and incremental royalty production volumes from acquisitions more than offset natural declines.

Financial Results

Operating Results

	Three months ended December 31, 2022 ($ millions)	Three months ended December 31, 2022 ($/BOE)[2]	Three months ended December 31, 2021 ($ millions)	Three months ended December 31, 2021 ($/BOE)[2]
Royalty Production Revenue	**$ 144.8**	**$ 60.74**	$ 94.2	$ 50.34
Production and Mineral Taxes	**(1.7)**	**(0.71)**	(1.3)	(0.69)
Cash Administrative Expenses[1]	**(5.1)**	**(2.14)**	(5.4)	(2.89)
Operating Netback[1]	**$ 138.0**	**$ 57.89**	$ 87.5	$ 46.76
Operating Margin[1]	**95%**	**95%**	93%	93%

(1) Non-GAAP measure. See "Non-GAAP Measures and Ratios" in this MD&A.
(2) See "Conversions of Natural Gas to BOE".

	Year ended December 31, 2022 ($ millions)	Year ended December 31, 2022 ($/BOE)[2]	Year ended December 31, 2021 ($ millions)	Year ended December 31, 2021 ($/BOE)[2]
Royalty Production Revenue	**$ 615.7**	**$ 66.92**	$ 291.8	$ 40.32
Production and Mineral Taxes	**(6.6)**	**(0.72)**	(3.6)	(0.50)
Cash Administrative Expenses[1]	**(25.5)**	**(2.77)**	(20.2)	(2.79)
Operating Netback[1]	**$ 583.6**	**$ 63.43**	$ 268.0	$ 37.03
Operating Margin[1]	**95%**	**95%**	92%	92%

(1) Non-GAAP measure. See "Non-GAAP Measures and Ratios" in this MD&A.
(2) See "Conversions of Natural Gas to BOE".

The Q4 2022 operating netback of $138.0 million ($57.89 per BOE) has increased 58% from $87.5 million ($46.76 per BOE) in Q4 2021 due to the positive impact of stronger benchmark prices on realized commodity pricing combined with higher average royalty production volumes. Changes in administrative expenses and production and mineral taxes are further discussed below.

The YE 2022 operating netback of $583.6 million ($63.43 per BOE) has increased 118% from $268.0 million ($37.03 per BOE) in YE 2021 due to stronger benchmark pricing resulting in improved realized commodity pricing combined with higher average royalty production volumes. Changes in administrative expenses and production and mineral taxes are further discussed below.

Revenue

($ millions) Royalty Production Revenue by Product	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Crude Oil	**$ 98.9**	$ 61.3	**$ 440.8**	$ 191.0
NGL	**13.5**	10.7	**58.6**	36.6
Natural Gas	**32.4**	22.2	**116.3**	64.2
	144.8	94.2	**615.7**	291.8
Other Revenue				
Lease Rental Income	**$ 2.1**	$ 2.0	**$ 7.8**	$ 6.1
Bonus Consideration	**3.0**	3.9	**16.2**	8.3
Other Income	**0.7**	0.5	**3.6**	1.8
	5.8	6.4	**27.6**	16.2
Revenues	**$ 150.6**	$ 100.6	**$ 643.3**	$ 308.0

($ millions) Revenues by Classification	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Lessor Interests on Fee Lands	**$ 92.4**	$ 54.3	**$ 387.0**	$ 174.5
GORR Interests	**52.4**	39.9	**228.7**	117.3
Royalty Production Revenue	**144.8**	94.2	**615.7**	291.8
Other Revenue	**5.8**	6.4	**27.6**	16.2
Revenues	**$ 150.6**	$ 100.6	**$ 643.3**	$ 308.0

Pricing	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Benchmark				
WTI (US$/bbl)	**82.64**	77.19	**94.23**	67.92
Edmonton Light Sweet ($/bbl)	**110.04**	93.30	**120.07**	80.23
WCS Differential to WTI (US$/bbl)	**(25.66)**	(14.64)	**(18.22)**	(13.04)
AECO Monthly Index ($/Mcf)	**5.58**	4.94	**5.56**	3.56
AECO Daily Index ($/Mcf)	**5.11**	4.66	**5.31**	3.62
Foreign Exchange Rate (US$/CAD$)	**0.7365**	0.7909	**0.7683**	0.7973

Realized Pricing	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Crude Oil ($/bbl)	**88.36**	80.13	**102.88**	69.38
NGL ($/bbl)	**54.56**	57.27	**59.73**	41.14
Natural Gas ($/Mcf)	**5.30**	4.04	**4.93**	2.98
Total ($/BOE)	**60.74**	50.34	**66.92**	40.32

The Company's average royalty rate for all producing wells on the Royalty Properties was approximately 6.0% in both Q4 2022 and Q4 2021. During Q4 2022, royalty production revenue was $144.8 million compared to $94.2 million for the same quarter in 2021, an increase of 54% as a result of higher total average realized pricing, detailed below, and increased royalty production volumes for all products as previously discussed.

During Q4 2022, revenue from Lessor Interests on Fee Lands was $92.4 million or 64% of total royalty production revenue. Revenue from GORR Interests was $52.4 million or 36% of total royalty production revenue for the same period. In the prior year comparative period, $54.3 million or 58% of total royalty production revenue was generated from Lessor Interests on Fee Lands and $39.9 million or 42% from GORR Interests. In addition to royalty production revenue from Lessor Interests, all lease rental income and bonus consideration are generated from Fee Lands.

The Company's average royalty rate for all producing wells on the Royalty Properties in YE 2022 and YE 2021 was approximately 6.0%. During YE 2022, royalty production revenue was $615.7 million as compared to $291.8 million for the same period in 2021, an increase of 111% as a result of higher total average realized pricing, detailed below, and increased royalty production volumes for all products as previously discussed.

During YE 2022, revenue from Lessor Interests on Fee Lands was $387.0 million or 63% of total royalty production revenue. Revenue from GORR Interests was $228.7 million or 37% of total royalty production revenue for the same time period. In YE 2021, $174.5 million or 60% of royalty production revenue was generated from Lessor Interests on Fee Lands and $117.3 million or 40% from GORR Interests. In addition to royalty revenue from Lessor Interests, all lease rental income and bonus consideration are generated from Fee Lands.

During Q4 2022, the Company averaged realized crude oil pricing of $88.36 per barrel, NGL pricing of $54.56 per barrel and natural gas pricing of $5.30 per Mcf as compared to Q4 2021 when the Company averaged realized crude oil pricing of $80.13 per barrel, NGL pricing of $57.27 per barrel and natural gas pricing of $4.04 per Mcf. Q4 2022 realized crude oil pricing increased 10% over Q4 2021 primarily due to improved WTI crude oil benchmark pricing which averaged US$82.64 per barrel, 7% higher than Q4 2021. The positive pricing impact related to increased WTI benchmark pricing and a stronger US dollar relative to the Canadian dollar was partially offset by a wider heavy oil differential. Q4 2022 realized NGL pricing decreased 5% from Q4 2021. Q4 2021 NGL royalty volumes were negatively impacted by curtailments to ethane volumes which receive a lower price than propane, butane and pentanes. As a result, the average realized price for NGL was higher in Q4 2021 (fewer lower value ethane volumes) than in Q4 2022 when benchmark pricing was higher and ethane volumes returned. Realized natural gas prices increased 31% in Q4 2022 as compared to Q4 2021 due to strong average monthly and daily AECO benchmark pricing brought on by increased demand for natural gas.

YE 2022, the Company averaged realized crude oil pricing of $102.88 per barrel, NGL pricing of $59.73 per barrel and natural gas pricing of $4.93 per Mcf. The realized pricing on all products increased from YE 2021 when the Company averaged realized crude oil pricing of $69.38 per barrel, NGL pricing of $41.14 per barrel and natural gas pricing of $2.98 per Mcf. YE 2022 realized crude oil pricing increased 48% over YE 2021 primarily due to improved WTI benchmark pricing which increased 39% to US$94.23, as well as a stronger US dollar relative to the Canadian dollar, partially offset by a wider heavy oil differential. YE 2022 realized NGL pricing increased 45% over YE 2021 due to improved benchmark pricing. Realized natural gas pricing increased 65% over YE 2021 due primarily to strong average monthly and daily AECO benchmark pricing brought on by increased demand for natural gas.

Royalty compliance recoveries are the cash payments received as a result of the extensive process of identifying, analyzing, resolving and collecting corrected payments from royalty payors. Cash received from compliance recoveries can be related to a number of periods. PrairieSky's compliance department continually reviews leasing agreements and royalty calculations. Compliance adjustments are not recorded in the financial statements until collection of outstanding amounts is certain. For Q4 2022 and YE 2022, compliance recoveries totaled $2.1 million (Q4 2021 - $1.4 million) and $8.5 million (YE 2021 - $4.2 million), respectively. Compliance recoveries are included in royalty production revenue for the period.

Other revenue consisted primarily of lease bonus consideration and lease rentals from new leasing arrangements, as well as lease rental income from historical leases issued on the Fee Lands. Lease rental income for Q4 2022 and YE 2022 was $2.1 million (Q4 2021 - $2.0 million) and $7.8 million (YE 2021 - $6.1 million), respectively. Bonus consideration revenue for Q4 2022 and YE 2022 was $3.0 million (Q4 2021 - $3.9 million) and $16.2 million (YE 2021 - $8.3 million), respectively, as industry looked to increase their drilling inventory. Both the amount and timing of bonus consideration revenue can vary significantly from quarter to quarter as it relates to the unique circumstances of each transaction. Other income was $0.7 million for Q4 2022 (Q4 2021 - $0.5 million) and $3.6 million for YE 2022 (YE 2021 - $1.8 million) with the increase over the prior year comparative periods primarily related to Potash royalties from assets acquired in late 2021.

Administrative Expenses

($ millions)	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Salaries and Benefits	**$ 3.8**	$ 4.0	**$ 13.4**	$ 12.9
Share-Based Compensation	**11.3**	4.4	**28.3**	12.5
Office Expense	**0.6**	0.7	**3.4**	3.1
Public Company Expense	**0.3**	0.3	**1.8**	1.7
Information Technology and Other	**0.4**	0.4	**1.9**	1.8
Total Administrative Expenses	**$ 16.4**	$ 9.8	**$ 48.8**	$ 32.0
Administrative Expenses per BOE(1)	**$ 6.88**	$ 5.24	**$ 5.30**	$ 4.42
Cash Administrative Expenses(2)	**$ 5.1**	$ 5.4	**$ 25.5**	$ 20.2
Cash Administrative Expenses per BOE(1)(2)	**$ 2.14**	$ 2.89	**$ 2.77**	$ 2.79

(1) See "Conversions of Natural Gas to BOE".
(2) Non-GAAP measure. See "Non-GAAP Measures and Ratios" in the MD&A.

PrairieSky is committed to cost control, finding efficiencies and optimizing technology across the business. Administrative expenses for Q4 2022 and YE 2022 were $6.88 per BOE (Q4 2021 - $5.24 per BOE) and $5.30 per BOE (YE 2021 - $4.42 per BOE), respectively. Administrative expenses include both cash and non-cash charges which relate to share-based compensation plans. Administrative expenses related to restricted share units ("RSUs"), preferred share units ("PSUs"), officer deferred share units ("ODSUs"), and deferred share units for directors ("DSUs") are impacted by the closing share price at period end and as such, are subject to variability. The market common share price used in the fair value calculation of share-based compensation at December 31, 2022 was $21.70, as compared to $13.63 at December 31, 2021. The improved share price along with an increase in the number of units outstanding, primarily related to ODSUs and DSUs which are not paid out until the officer or director leaves the Company, resulted in an increase in the expense recorded in the period. In addition, both Q4 2022 and YE 2022 PSU expense increased due to the Company's positive share price performance and the impact on total shareholder return as compared to a predetermined peer group. Company payouts related to RSUs and PSUs are discussed below.

Cash administrative expenses for Q4 2022 were $2.14 per BOE, a 26% decrease from Q4 2021 cash administrative expenses of $2.89 per BOE as a result of the increased royalty production and decreased cash administrative expenses. Cash administrative expenses for YE 2022 of $2.77 per BOE were in line with YE 2021 cash administrative expenses of $2.79 per BOE as a result of increased royalty production volumes more than offsetting an increase in cash administrative expenses.

Cash administrative expenses include Company payouts related to share-based compensation. Payouts for Q4 2022 were $nil (Q4 2021 - $nil) and $5.0 million for YE 2022 (YE 2021 - $0.7 million). When cash share-based payments are made, there is an increase in cash administrative expenses in the period. Cash payments increased in YE 2022 compared to YE 2021 due to higher pricing on the RSU settlement in 2022 and a $3.9 million cash settlement amount on certain PSUs held by the executive officers which vested in Q1 2022. In 2021, PSUs expired unvested as a result of bottom quartile share price performance over a trailing three-year period compared to a predetermined peer group. For more information, see the Company's Information Circular and Proxy Statement dated February 28, 2022 which is available on the Company's website at www.prairiesky.com.

($ millions) Share-Based Compensation	Three months ended December 31 2022	 2021	Year ended December 31 2022	 2021
Stock Option Expense	**$ 0.1**	$ 0.1	**$ 0.2**	$ 0.5
PSU Expense	**7.2**	3.6	**18.1**	6.9
RSU Expense	**0.7**	0.3	**1.5**	1.3
ODSU Expense	**1.3**	0.3	**3.1**	1.2
DSU Expense	**2.0**	0.1	**5.4**	2.6
Share-Based Compensation Expense	**$ 11.3**	$ 4.4	**$ 28.3**	$ 12.5

Share-based compensation expense is impacted by the closing share price at period end as discussed above. Total outstanding units and options from all employee, officer, and director incentive plans that can be settled in common shares are 0.3% of total common shares outstanding at December 31, 2022.

Production and Mineral Taxes

($ millions, except per BOE amounts)	Three months ended December 31 2022	 2021	Year ended December 31 2022	 2021
Production and Mineral Taxes	**$ 1.7**	$ 1.3	**$ 6.6**	$ 3.6
$/BOE[1]	**$ 0.71**	$ 0.69	**$ 0.72**	$ 0.50

(1) See "Conversions of Natural Gas to BOE".

Production and mineral taxes are levied on an annual basis. In Alberta, the Freehold Mineral Tax is calculated with a formula based on price and production volumes in the province; whereas, in Saskatchewan there is an acreage tax based on a flat per acre amount for non-Crown lands. For Q4 2022, production and mineral taxes were 1.2% of royalty production revenue compared to 1.4% in Q4 2021. YE 2022, production and mineral taxes totaled 1.1% of royalty production revenue compared to 1.2% for YE 2021. Production and mineral taxes are based on an annual estimate which can result in variances from quarter to quarter based on commodity prices, changes in royalty production volumes and incremental acreage acquired.

Depletion, Depreciation and Amortization ("DD&A")

($ millions, except per BOE amounts)	Three months ended December 31 2022	 2021	Year ended December 31 2022	 2021
Depletion, Depreciation and Amortization	**$ 35.9**	$ 29.6	**$ 145.8**	$ 101.8
$/BOE[1]	**$ 15.06**	$ 15.82	**$ 15.85**	$ 14.07

(1) See "Conversions of Natural Gas to BOE".

The Company depletes its royalty assets using the unit-of-production method based on the total proved and probable reserves of its Royalty Properties. Corporate assets, including the right-of-use asset associated with the office lease, are depreciated on a straight-line basis. DD&A per BOE is lower in Q4 2022 than in Q4 2021 primarily due to a lower depletable base in Q4 2022 and increased production for the quarter. DD&A per BOE is higher in YE 2022 than in YE 2021 primarily due to the royalty assets acquired in Q4 2021 increasing the depletable base for the full year in 2022. DD&A per BOE will fluctuate depending on the royalty assets acquired, if any, the amount of reserves added, and production volumes in the period.

Exploration and Evaluation Expense ("E&E")

	Three months ended December 31		Year ended December 31	
($ millions, except per BOE amounts)	2022	2021	2022	2021
Exploration and Evaluation Expense	**$ 3.7**	$ 1.5	**$ 7.7**	$ 7.8
$/BOE[1]	**$ 1.55**	$ 0.80	**$ 0.84**	$ 1.08

(1) See "Conversions of Natural Gas to BOE".

During Q4 2022 and YE 2022, $3.7 million (Q4 2021 - $1.5 million) and $7.7 million (YE 2021 - $7.8 million), respectively, of costs associated with expired Crown mineral leases and GORR Interests were recognized as an expense. The expense will vary period to period as a result of the timing of lease expiries, if any.

Finance

Finance expense of $4.4 million in Q4 2022 (Q4 2021 - $3.1 million) and $18.6 million in YE 2022 (YE 2021 - $5.1 million) has increased significantly from the prior year comparative periods primarily as a result of the increased interest expense on higher bank debt which was incurred to finance the acquisitions of incremental royalty interests completed during the second half of 2021, higher interest rates in 2022 and fees related to bank debt. The effective interest rate for Q4 2022 and YE 2022 was 5.4% and 3.6%, respectively, as compared to 2.3% and 2.1% for the comparative periods in 2021.

Income Tax

	Three months ended December 31		Year ended December 31	
($ millions)	2022	2021	2022	2021
Current Tax Expense (Recovery)	**$ 20.2**	$ (12.4)	**$ 85.6**	$ 4.6
Deferred Tax Expense	**1.0**	24.0	**12.7**	29.8
Income Tax Expense	**$ 21.2**	$ 11.6	**$ 98.3**	$ 34.4

During Q4 2022, the Company recorded a $20.2 million current tax expense (Q4 2021 - $12.4 million current tax recovery) and a deferred tax expense of $1.0 million (Q4 2021 - $24.0 million) as a result of higher taxable income associated with increased royalty production revenue in Q4 2022 and the Q4 2021 Heritage Acquisition that provided increased tax pool deductions reducing taxable income for 2021, and recognized in the quarter. During YE 2022, the Company recorded a $85.6 million (YE 2021 - $4.6 million) current tax expense and a deferred tax expense of $12.7 million (YE 2021 - $29.8 million). The Company’s effective tax rate differs from PrairieSky’s combined Provincial and Federal statutory tax rate of 23.5% primarily as a result of the reversal of the initial difference between the carrying value of net assets transferred and the tax pools acquired on May 27, 2014, for which no deferred income tax asset was recognized in addition to minor taxable differences related to prior periods. In addition, the Company has not recognized taxable temporary differences of $155.0 million related to the excess of the carrying value of net assets over the tax pools acquired on asset acquisitions that were not a business combination during the year ended December 31, 2021 and were therefore subject to the initial recognition exemption under IAS 12 "Income Taxes".

The approximate tax pools balances available at year end are:

(millions)	Year ended December 31, 2022	Year ended December 31, 2021
Canadian Oil and Gas Property Expense ("COGPE")	**$ 1,546.8**	$ 1,742.4
Undepreciated Capital Cost ("UCC")	**0.2**	0.3
Share Issue Costs	**6.0**	7.9
	$ 1,553.0	$ 1,750.6

Net Earnings

Net earnings for Q4 2022 were $67.3 million ($0.28 per share, basic and diluted). Net earnings for Q4 2021 were $43.7 million ($0.19 per share, basic and diluted). Net earnings for Q4 2022 were higher than Q4 2021 as a result of the increase in royalty production revenue as previously described, more than offsetting the increases in administrative expense, DD&A expense, exploration and evaluation expense, finance expense and income tax expense.

Net earnings for YE 2022 were $317.5 million ($1.33 per share, basic and diluted). Net earnings for YE 2021 were $123.3 million ($0.55 per share, basic and diluted). Net earnings for YE 2022 were higher than YE 2021 as a result of the increase in royalty production revenue and other revenue previously described, more than offsetting the increases in administrative expense, DD&A expense, finance expense and income tax expense.

Acquisitions

During Q4 2022, the Company completed acquisitions totaling $6.2 million (Q4 2021 - $745.3 million) comprised of a $0.1 million cash recovery adjustment to previously acquired royalty interests on producing properties (Q4 2021 - $379.3 million) and $6.3 million (Q4 2021 - $366.0 million) of E&E assets, consisting of royalty interests on non-producing properties.

YE 2022, the Company completed acquisitions totaling $30.6 million (YE 2021 - $987.1 million) comprised of $13.5 million (YE 2021 - $459.8 million) of royalty interests on producing properties and $17.1 million (YE 2021 - $527.3 million) of E&E assets, consisting of royalty interests on non-producing properties.

Liquidity and Capital Resources

	Three months ended December 31		**Year ended December 31**	
($ millions)	**2022**	**2021**	**2022**	**2021**
Net Cash From (Used In)				
Operating Activities	**$ 140.7**	$ 82.1	**$ 565.5**	$ 252.0
Investing Activities	**(6.2)**	(743.8)	**(30.6)**	(986.4)
Financing Activities	**(134.5)**	661.7	**(534.9)**	734.4
Change in Cash and Cash Equivalents	**$ -**	$ -	**$ -**	$ -
Cash and Cash Equivalents, Beginning of Year	**$ -**	$ -	**$ -**	$ -
Cash and Cash Equivalents, End of Year	**$ -**	$ -	**$ -**	$ -

Operating Activities

Net cash from operating activities for Q4 2022 and YE 2022 was $140.7 million and $565.5 million, respectively, as compared to $82.1 million and $252.0 million for the comparative periods in 2021. Net cash from operating activities is generated from funds from operations and the net change in non-cash working capital. Funds from operations is utilized by management to evaluate the ability of the Company to generate cash from its operations. This is considered a measure of operating performance as it demonstrates the Company's ability, on an ongoing basis, to fund distributions of cash flow to shareholders as dividends, repay bank debt, repurchase common shares under the Company's Normal Course Issuer Bid ("NCIB"), and fund complementary acquisitions. Such a measure provides a useful indicator of the Company's operations, on an ongoing basis, by eliminating certain non-cash charges. Funds from operations in Q4 2022 and YE 2022 were $119.5 million and $507.6 million, respectively, an increase of 17% from $101.8 million in Q4 2021 and an increase of 86% from $273.4 million in YE 2021 primarily due to the increase in royalty production revenues generated from higher royalty production volumes and improved benchmark commodity pricing for all products.

Investing Activities

For Q4 2022 and YE 2022, cash used in investing activities was $6.2 million (Q4 2021 - $743.8 million) and $30.6 million (YE 2021 - $986.4 million), respectively, and included royalty and E&E asset acquisitions as outlined in the "Acquisitions" section of this MD&A.

Financing Activities

For Q4 2022 and YE 2022, cash used in financing activities was $134.5 million (Q4 2021 - cash from financing activities was $661.7 million) and $534.9 million (YE 2021 - cash from financing activities was $734.4 million), respectively, as a result of dividends paid on common shares and repayment of bank debt incurred in 2021 associated primarily with the Heritage acquisition.

Dividends paid in Q4 2022 were $28.7 million (Q4 2021 - $20.0 million) and $107.6 million for YE 2022 (YE 2021 - $62.4 million). There were no common shares repurchased in Q4 2022 or YE 2022. In 2021, the Company repurchased $1.5 million in common shares under the NCIB in Q4 2021 and $22.7 million in YE 2021 as described below.

Since the initial public offering in May 2014 (the "IPO"), PrairieSky has declared $1,331.8 million in dividends to shareholders. Since inception of the NCIB in 2016, PrairieSky has purchased for cancellation 16.7 million common shares at an average cost of $14.77 per share for total consideration of $246.4 million.

Changes in Net Debt

During YE 2022, the Company generated funds from operations of $507.6 million, declared dividends of $143.3 million, and made royalty acquisitions for cash consideration of $30.6 million. The Company had net debt of $315.1 million at December 31, 2022, down from $635.0 million at December 31, 2021, as funds from operations have been used primarily to repay bank debt during YE 2022. Long-term bank debt at December 31, 2022, net of unamortized debt issuance costs of $0.9 million, was $218.3 million.

At December 31, 2022, accounts receivable and accrued royalty revenue consisted primarily of accrued revenue related to royalty payments. In the crude oil and natural gas industry, accounts receivable from industry partners are typically settled in the month following production; however, payments to royalty owners are often delayed longer, and as a result, actual payments may differ from estimates recorded. Accounts payable and accrued liabilities consisted primarily of production and mineral taxes payable, share-based compensation and salary-related accruals. Accounts payable also included $10.6 million (December 31, 2021 - $5.2 million) related to the liability for vested cash-settled DSUs for Board members which may or may not be paid in the next twelve months as amounts only become payable when a director is no longer a member of the Board. Working capital also included the Company's income tax payable of $86.5 million (December 31, 2021 - $2.7 million) and dividend payable of $57.3 million (December 31, 2021 - $21.5 million), both of which will be paid in the first quarter of 2023.

Bank Debt

At December 31, 2022, 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 December 31, 2022, $219.2 million was drawn on the Sustainable Credit Facility (December 31, 2021 - $645.0 million). The Sustainable Credit Facility may be extended on an annual basis, subject to certain requirements and has a maturity date of February 28, 2025. The effective interest rate for Q4 2022 and YE 2022 was 5.4% (Q4 2021 - 2.3%) and 3.6% (YE 2021 - 2.1%), respectively.

During Q4 2022 and YE 2022, there were no debt issuance costs incurred. During Q4 2021 and YE 2021, debt issuance costs were $0.6 million and $1.9 million, respectively. Debt issuance costs incurred have been netted against the long-term debt and are being amortized over the remaining term. For Q4 2022 and YE

2022, total amortization of debt issuance costs was $0.2 million (Q4 2021 - $0.1 million) and $0.7 million (YE 2021 - $0.3 million), respectively.

The Sustainable Credit Facility includes borrowing options of Canadian prime rate-based advances, U.S. base rate advances, LIBOR loans, bankers' acceptances and letters of credit, and will bear interest 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 ("ESG") performance, determined annually by a third-party ESG rating agency. PrairieSky's bank debt pricing was reduced by the full 5 basis points effective February 1, 2022 due to its improved third-party ESG rating. PrairieSky's ESG performance was re-evaluated in early 2023 and the full 5 basis points pricing reduction was maintained. The next re-evaluation will occur in early 2024. The Sustainable Credit Facility is unsecured and does not have a borrowing base restriction.

The Sustainable Credit Facility has three financial covenants, whereby the Company's ratio of adjusted consolidated senior debt to EBITDA for the trailing 12 months will not exceed 3.5:1.0, adjusted consolidated total debt to EBITDA for the trailing 12 months will not exceed 4.0:1.0, and the adjusted consolidated total debt to capitalization ratio will not exceed 55%. EBITDA used in the covenant calculation is net earnings adjusted for non-cash items, interest expense and income taxes. All covenants are calculated as at, and for the 12 months ending December 31, 2022. As at December 31, 2022, the Company was in compliance with all covenants provided for in the lending agreement and forecasts compliance with all covenants for at least the next 12 months.

The following table provides a listing of the key financial covenants as at December 31, 2022:

Covenant Description[1]	Ratio	December 31, 2022
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.4
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.4
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	7%

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

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

Dividends and Dividend Policy

PrairieSky pays dividends to shareholders at the discretion of the Board of Directors. Dividends declared were $57.3 million or $0.24 per share for Q4 2022 and $143.3 million or $0.60 per share for YE 2022.

With organic royalty production growth over the past year, strong leasing, drilling activity tailwinds and net debt decreasing at a faster pace than internally forecasted, the Board determined to increase the quarterly dividend 100% to $0.24 per common share ($0.96 per common share annualized) effective for the December 30, 2022 record date.

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

Outstanding Share Data

As at December 31, 2022 and February 6, 2023, PrairieSky had 238.9 million common shares outstanding (December 31, 2021 - 238.8 million). As at December 31, 2022 there were 0.4 million outstanding stock options (December 31, 2021 - 1.3 million) with a weighted average exercise price of $26.62, in excess of the current share price. On January 1, 2023 0.2 million options with an exercise price of $32.06 expired unexercised.

Capital Management

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

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

The Company defines capitalization as net debt plus shareholders' equity. The net debt to capitalization ratio is a financial leverage measure that shows the portion of capital relating to debt. The Company continues to maintain a low net debt to capitalization ratio at December 31, 2022 of 10% (December 31, 2021 - 20%) which reflects its manageable debt levels and lower financial risk.

($ millions)	As at December 31, 2022	As at December 31, 2021
Shareholders' Equity	**$ 2,768.3**	$ 2,594.6
Long-Term Debt	**$ 218.3**	$ 643.4
Working Capital Deficiency (Working Capital)	**96.8**	(8.4)
Net Debt	**$ 315.1**	$ 635.0
Capitalization	**$ 3,083.4**	$ 3,229.6
Net Debt to Capitalization	**10%**	20%

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

On May 19, 2022 the Company announced the approval of the renewal of its NCIB by the Toronto Stock Exchange ("TSX"). The NCIB allows the Company to purchase for cancellation up to a maximum of 16,963,000 common shares over a twelve-month period which commenced on May 26, 2022 and expires no later than May 25, 2023. Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The actual number of common shares that may be purchased will be determined by the Company based on current and forecast funds from operations, the annual dividend and the level of bank debt.

There were no shares purchased for cancellation during Q4 2022 or YE 2022.

During Q4 2021, the Company purchased for cancellation 98,900 common shares at a weighted average price of $14.90 per common share, including commissions, for total consideration of $1.5 million. The total cost paid, including commissions and fees, was charged to share capital.

During YE 2021, the Company purchased for cancellation 1,666,800 common shares at a weighted average price of $13.60 per common share, including commissions, for total consideration of $22.7 million. The total cost paid, including commissions and fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess of $0.1 million was charged to deficit.

Risk Management

Financial Risks

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

Commodity Price Risk

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

Interest Rate Risk

The Company is exposed to interest rate risk in connection with the Sustainable Credit Facility. Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. Assuming all other variables held constant for Q4 2022 and YE 2022, a 1% change (plus or minus) in the interest rate would have resulted in a corresponding change to net earnings before taxes of $0.7 million and $4.4 million, respectively. Bank debt bears interest at a floating market rate with applicable variable margins.

Credit Risk

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

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

A substantial portion of the Company's accounts receivable are from leases, overriding royalty contracts and other agreements with crude oil and natural gas industry operators and are subject to normal industry credit risks. The Company's leasing arrangements typically provide for termination of the lease in the event of non-payment of royalties which would result in a return of the petroleum and natural gas rights to the Company. In addition, the Company actively reviews its counterparties and takes its production in-kind to mitigate credit risk, as appropriate, and has letters of credit in place with certain producers.

As at December 31, 2022, there were no counterparties whose accounts receivable individually accounted for more than 10% of the total accounts receivable balance. The maximum credit risk exposure associated with accounts receivable and accrued revenue is the total carrying value.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties funding its financial liabilities as they come due. Liquidity risk is managed by maintaining sufficient liquid financial resources to fund these obligations. At December 31, 2022, the Company had net debt of $315.1 million, a decrease of 50% from $635.0 million at December 31, 2021 as YE 2022 funds from operations in excess of dividends paid of $107.6 million and acquisitions of $30.6 million were primarily used to reduce the bank debt. The Company also has access to incremental funding options through its Sustainable Credit Facility with a maturity date of February 28, 2025. At December 31, 2022, the Company has unused capacity under its Sustainable Credit Facility of up to $505.8 million. In addition, the Sustainable Credit Facility has a permitted increase to $800 million from $725 million with lender consent.

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

The timing of expected cash outflows relating to accounts payable and accrued liabilities of $33.8 million, income taxes payable of $86.5 million, and the dividend payable of $57.3 million is less than one year. In addition, accounts payable and accrued liabilities includes $10.6 million related to vested cash-settled DSUs held by Board members which may or may not be paid in the next year as the amount only becomes payable when a director is no longer a member of the Board.

Operational and Business Risks

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

- Volatility in commodity prices and quality differentials as a result of global and North American market forces and/or shifts in the balance between supply and demand for crude oil, NGL, and natural gas, including the impacts of economies reopening post COVID-19 lockdowns on crude oil demand, and geopolitical factors, and specifically those related to the Russia-Ukraine conflict;
- The timing of the full economic recovery related to the COVID-19 pandemic, including but not limited to the realized effects on the broader economy but also the potential unrealized and unforeseeable impacts which may be highly variable and cannot be predicted with a high degree of certainty;
- Access to transportation, including pipelines or other methods, for bringing crude oil, NGL and natural gas to market;
- Dependence on lessees and/or third-party operators to develop the Royalty Properties and the risks associated with exploration, development and production of crude oil and natural gas, including environmental risks and climate change, as further discussed below;
- Ability of participants in the crude oil and natural gas industry in Western Canada to access capital to develop the Royalty Properties and the industry as a whole, including the risk that third-party lenders may reduce their borrowings to the oil and gas industry;
- The impacts of increased interest rates and inflationary pressures on third-party exploration and development activity;
- Third-party operator activity levels on the Royalty Properties and competition for land, goods and services, qualified personnel and capital funding;
- Variations in currency exchange rates;
- Imprecision of reserve estimates and uncertainty of depletion and recoverability of reserves. The Company's reserves will deplete over time through continued production and our industry partners and royalty payors may not be able to replace the reserves on the Royalty Properties on an economic basis;
- Stock market volatility and the ability to access sufficient capital from internal and external sources;
- Third-party operational risks, including facility restrictions and weather, and/or marketing risks, including take-in-kind production volumes, resulting in delivery interruptions, delays, lower realized pricing and/or unanticipated production declines;
- Changes in government regulations, including mandated production curtailments, taxation, environmental and Crown royalty rates;
- Potential breakdown, invasion, virus, cyber-attack, security breach or destruction of information technology systems;

- Increased borrowing costs due to increased lending rates from prime rate increases, negative changes to financial metrics evaluated under the Sustainable Credit Facility financial covenants and/or decreased ESG performance as determined by a third-party rating agency; and
- Variability of dividends based on PrairieSky's financial performance and/or market conditions.

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

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

Environmental and Climate Change Risks

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

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

Enterprise Risk Management and management is responsible for implementing mitigating strategies regarding these risks. These mitigating strategies are described above under Operational and Business Risks.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to ESG and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters.* The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

Additional specific risk factors related to the environment and climate change, including a discussion on physical and transition risks, are included in PrairieSky's Annual Information Form dated February 6, 2023 and readers are encouraged to review such material, as well as PrairieSky's Sustainability Report which is located on our website at www.prairiesky.com.

FURTHER INFORMATION ON RISK FACTORS AND INDUSTRY CONDITIONS

For a detailed discussion of the risks, uncertainties and industry conditions associated with PrairieSky's business, refer to PrairieSky's Annual Information Form dated February 6, 2023, which is available under PrairieSky's SEDAR profile at www.sedar.com and at www.prairiesky.com.

Accounting Judgments, Estimates and Accounting Policies

Accounting Judgments and Estimates

Management is required to make judgments, estimates, and assumptions through the application of the Company's accounting policies and practices, which have a significant impact on the financial results. A summary of PrairieSky's significant accounting policies can be found in Note 3 to the audited annual consolidated financial statements.

Throughout 2022, improved benchmark pricing positively impacted the oil and gas industry and PrairieSky but the potential for volatility remains. Management regularly assesses and makes best estimates regarding the impacts of macro-economic influences, such as the Russia-Ukraine conflict which has raised global concerns over oil and natural gas supply and significantly increased benchmark oil prices, the re-opening of economies post COVID-19 lockdowns, inflationary pressures on governments, businesses, and communities, and rising interest rates, and incorporates the same in its estimates and assumptions at year end. PrairieSky continues to monitor current commodity prices, currency exchange rates, industry activity levels and third-party anticipated capital expenditures for 2023 and beyond. The following discussion outlines the accounting policies and practices involving the use of judgments and estimates that are critical to determining PrairieSky's financial results.

Critical judgments are those judgments made by Management in the process of applying the Company's accounting policies and that have the most significant impact on the amounts recognized in the audited annual consolidated financial statements.

Significant 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 these estimates.

Identification of CGUs

The identification of cash generating units ("CGUs") requires judgement. 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 and interpretation. 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.

Fair Value Measurements used in Asset Acquisitions and Business Combinations

Management's judgement 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. In 2022, all acquisitions were accounted for as asset acquisitions.

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. The market value of royalty assets are estimated with reference to the 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 reserves. The market value of E&E assets are 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 crude oil and natural gas reserves, estimates of future royalty production from undeveloped properties including timing of third-party development, future benchmark commodity prices, 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 DD&A, asset impairment or goodwill impairment. The fair value of assets acquired through asset acquisitions is determined by allocating the purchase price based on the relative fair values.

Reserve Estimates, Depletion and Impairments

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, 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 crude oil and natural gas reserves and the future cash flows derived from them are significant estimates, which are subject to measurement uncertainty, and include significant assumptions related to future royalty production from proved and probable crude oil and natural 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, 2022 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*.

The Company considers the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment of depletion on its oil and gas properties. Depletion of the Company's oil and gas properties is based on proved and probable reserves. The ultimate period in which global energy markets can transition from carbon-based sources to alternative energy is highly uncertain; however, the majority of the Company's proved and probable reserves included in the reserve report prepared as of December 31, 2022, should be realized prior to a full transition away from carbon-based energy. At this time, the Company has not capped its reserve life, the estimated maximum life, for purposes of calculating depletion expense. The Company will continue to monitor its estimates as the energy evolution continues.

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 and E&E assets. 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.

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 crude oil and natural gas reserves, if any, used in the determination of an area's technical feasibility and commercial viability.

Goodwill

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. Subsequent measurement of goodwill is at cost less any accumulated impairments.

Goodwill is assessed for impairment at least annually. Judgement is required to assess when indicators exist, and impairment testing is required more frequently. If the carrying amount for the CGU exceeds the recoverable amount of the CGU, the associated goodwill is written down with an impairment recognized in net earnings. The recoverable amounts are determined annually based on the greater of fair value less costs of disposal or value in use. Goodwill impairments are not reversed.

Crude Oil and Natural Gas Revenue Accruals

The Company follows the accrual method of accounting, making estimates in its financial and operating results. This may include 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.

Share-based Compensation

The calculation of share-based compensation includes both judgments and estimates. Judgments include which valuation model is most appropriate to estimate the fair value of awards granted under the Company's Stock Option Plan, as well as the determination of the peer group used to calculate the total shareholder return under the PSU Plan. An estimate is made for certain PSU grants that are subject to a multiple performance criteria methodology at the discretion of the Board of Directors. Based on this assessment, 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.

Under the Stock Option Plan, the Company uses the Black-Scholes option pricing model which requires that management make estimates for the expected life of the option, the anticipated volatility of the share price over the life of the option, the dividend yield, the risk-free interest rate for the life of the option, and the number of options that will ultimately vest. Estimates of forfeiture rates are made through the vesting period for the Company's various long-term incentive plans. Estimates are based on past forfeitures and future expectations and are adjusted for actual forfeitures when stock options or share unit awards are exercised and/or vested. Estimates and assumptions are then used in the valuation model to determine the fair value, including the number of share unit awards that will ultimately vest under the Share Unit Award Incentive Plan for PSUs and RSUs and under the ODSU Plan. Fluctuations in share-based compensation may occur due to changes in the underlying share price, forfeitures or revised management estimates of relevant performance factors for PSUs. Estimates of the total shareholder return for PSUs are made at each period end.

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.

Control Environment

The Board, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee meets at least quarterly with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer evaluated the design and operating effectiveness of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's DC&P were designed and operating effectively as at December 31, 2022.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. Because of its inherent limitations, ICFR can only provide reasonable, not absolute, assurance that the objective of the control system is met. There were no changes to PrairieSky's ICFR during the period beginning on October 1, 2022 to December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. PrairieSky conducted an evaluation of the design and operating effectiveness of the Company's ICFR as at December 31, 2022 based on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that as of December 31, 2022, PrairieSky maintained effective ICFR as defined in Canada by NI 52-109.

Selected Annual Information

(millions, except per share)	**2022**	2021	2020
Revenues	**$ 643.3**	$ 308.0	$ 171.4
Net Earnings and Comprehensive Income	**317.5**	123.3	31.7
Per Share - Basic and Diluted	**1.33**	0.55	0.14
Total Assets	**3,415.4**	3,510.4	2,607.7
Long-term Financial Liabilities	**236.4**	650.9	3.5
Dividends Declared	**143.3**	70.5	86.1
Per Share	**0.6000**	0.3100	0.3750

In the past three years, PrairieSky has operated its business by leasing lands to third-parties for crude oil and natural gas development and third-party operations, managing controllable costs and completing accretive acquisitions which are complementary to PrairieSky's business. Over the three years, fluctuations in realized commodity prices due to changing benchmark prices and widening/narrowing differentials have both positively and negatively impacted the crude oil and natural gas industry and the Company's royalty production revenue. During 2020, the impacts of COVID-19 and the reduction in global oil demand resulted in significantly lower benchmark and realized crude oil pricing. Benchmark pricing improved through 2021 and into 2022, remaining strong through the year, positively impacting revenue and net earnings. Net earnings have fluctuated primarily due to the changes in revenues as discussed above. Total assets increased in 2021 due to $987.1 million in asset acquisitions completed during the year. Long-term liabilities increased in 2021 as bank debt was used to finance acquisitions during the year and declined in 2022 as funds from operations have been used primarily to repay bank debt. Dividends per share are reviewed and set on an annual basis by the Board. The annual dividend was adjusted to $0.96 per common share, with $0.24 per share approved and paid on a quarterly basis, commencing in Q4 2022.

Summary of Quarterly Results and Trends

($ millions, unless otherwise noted)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
FINANCIAL								
Crude Oil	**$ 98.9**	$ 107.6	$ 135.6	$ 98.7	$ 61.3	$ 50.3	$ 42.9	$ 36.5
NGL	**13.5**	14.2	17.8	13.1	10.7	10.1	8.3	7.5
Natural Gas	**32.4**	24.2	36.8	22.9	22.2	15.6	13.7	12.7
Royalty Production Revenue	**144.8**	146.0	190.2	134.7	94.2	76.0	64.9	56.7
Other Revenue	**5.8**	8.7	7.9	5.2	6.4	2.1	4.9	2.8
Total Revenues	**150.6**	154.7	198.1	139.9	100.6	78.1	69.8	59.5
Funds from Operations	**119.5**	123.5	159.6	105.0	101.8	66.2	56.6	48.8
Per Share - Basic and Diluted[(1)]	**0.50**	0.52	0.67	0.44	0.45	0.30	0.25	0.22
Net Earnings	**67.3**	76.2	110.1	63.9	43.7	33.7	27.5	18.4
Per Share - Basic and Diluted[(1)]	**0.28**	0.32	0.46	0.27	0.19	0.15	0.12	0.08
Dividends Declared[(2)]	**57.3**	28.7	28.7	28.7	21.5	20.0	14.5	14.5
Per Share	**0.24**	0.12	0.12	0.12	0.09	0.09	0.065	0.065
Common Share Repurchases	**-**	-	-	-	1.5	8.0	13.2	-
Net Debt	**315.1**	364.2	453.9	568.9	635.0	187.7	35.7	57.2
OPERATIONAL								
Production Volumes								
Crude Oil (bbls/d)	**12,166**	11,376	12,220	11,188	8,311	7,535	7,028	7,278
NGL (bbls/d)	**2,681**	2,660	2,772	2,621	2,029	2,603	2,612	2,502
Natural Gas (MMcf/d)	**66.4**	65.7	66.0	60.5	60.0	58.4	60.5	57.6
Total (BOE/d)[(3)]	**25,914**	24,986	25,992	23,892	20,340	19,871	19,723	19,380

(1) Net Earnings and Funds from Operations per Share are calculated using the weighted average number of common shares outstanding.
(2) A dividend of $0.24 per common share was declared on December 6, 2022. The dividend was paid on January 16, 2023 to shareholders of record on December 30, 2022.
(3) See "Conversions of Natural Gas to BOE".

- Quarterly variances in revenues, funds from operations and net earnings are primarily due to fluctuations in realized commodity prices, royalty production volumes, and bonus consideration.
- Crude oil prices are generally determined by global and North American market forces, including supply and demand factors and geopolitical risk. Changes in the USD-CAD currency exchange rate impact the Company's oil price realization relative to benchmark WTI, which is referenced in US dollars. Benchmark pricing for crude oil and NGL has improved through 2021 and 2022 and most significantly in Q2 2022, partially compounded by actual and potential supply disruption due to the ongoing Russia-Ukraine conflict which continued to impact pricing throughout 2022.
- Natural gas prices are influenced by many variables including weather conditions, industrial demand, and North American natural gas inventories. In Western Canada, transportation constraints may further impact natural gas prices. Natural gas benchmark pricing has improved steadily through 2021 and 2022 with second half 2022 benchmark pricing in Western Canada temporarily impacted by pipeline maintenance.
- Royalty production volumes can be influenced by various factors, including the extent of exploration and development activity by third parties on the Royalty Properties, the timing and amount of capital expenditures, the expertise and financial resources of third-party lessees, acquisitions of producing properties, weather and natural declines.
- Other revenue is largely affected by the timing of bonus consideration received when new leases are negotiated, which can vary with the individual terms of each agreement.

- Net earnings are affected by revenues, as noted above, as well as DD&A, administrative expenses and income taxes. Administrative expenses can vary in a period due to the effect of the change in share price on the Company's share-based compensation plans.
- The dividend is set by the Board of Directors by considering forecasted funds from operations. In Q1 2021, the quarterly dividend was increased to $0.065 per share with a further increase to $0.09 per share for the September 30, 2021 dividend record date. Dividends declared in Q4 2021 were higher due to the increase in the number of common shares outstanding post the bought deal financing in December 2021. In Q1 2022, the Company increased the dividend by 33% to $0.48 per share on an annualized basis ($0.12 per share on a quarterly basis). In Q4 2022, the Company increased the dividend by 100% to $0.96 per share on an annualized basis ($0.24 per share on a quarterly basis) effective for the December 30, 2022 record date.
- The Company has declared $213.9 million in dividends to shareholders and has repurchased 1.7 million common shares for $22.7 million over the past eight quarters.
- Net debt has decreased since Q4 2021 as funds from operations have been used primarily to repay bank debt incurred on the Heritage acquisition. Working capital fluctuations are primarily a result of changes in commodity prices affecting the royalty production revenue accrual, changes in the Company's share price affecting share-based compensation accruals, changes in amounts payable for income tax and changes in the dividend payable.

Non-GAAP Measures and Ratios

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

"Operating Netback" represents the cash margin for products sold. Operating netback is calculated as royalty production revenue less production and mineral taxes and cash administrative expenses. Operating netback provides a consistent measure of the cash generating and operating performance of the Royalty Properties to assess the comparability of the underlying performance between years. Refer to the Operating Results table in this MD&A document for a summary of operating netback calculations.

"Operating Netback per BOE" represents the cash margin for products sold on a BOE basis. Operating netback per BOE is calculated by dividing the operating netback by the average daily production volumes for the period. Operating netback per BOE is used to assess the cash generating and operating performance per unit of product sold. Operating netback per BOE is commonly used in the crude oil and natural gas industry to assess performance comparability. Refer to the Operating Results table in this MD&A document for a summary of operating netback calculations.

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

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

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

Cash Administrative Expenses

The following table presents the computation of Cash Administrative Expenses:

($ millions)	Three months ended December 31 2022	Three months ended December 31 2021	Year ended December 31 2022	Year ended December 31 2021
Total Administrative Expenses	**$ 16.4**	$ 9.8	**$ 48.8**	$ 32.0
Share-Based Compensation Expense	**(11.3)**	(4.4)	**(28.3)**	(12.5)
Cash Payments Made - Share Unit Award Incentive Plan	**-**	-	**5.0**	0.7
Cash Administrative Expenses	**$ 5.1**	$ 5.4	**$ 25.5**	$ 20.2

Advisory

FORWARD-LOOKING STATEMENTS

This MD&A includes certain statements regarding PrairieSky's future plans and operations as at February 6, 2023 and contains forward-looking statements that we believe allow readers to better understand our business and prospects. Forward-looking statements contained in this MD&A include our expectations with respect to the following:

- Commodity prices, including supply and demand factors relating to crude oil, natural gas and NGL, and specifically the effect of the Russia-Ukraine conflict and COVID-19 pandemic on future commodity prices, royalty production volumes, revenues and cash flow;
- The potential magnitude of impacts from the COVID-19 pandemic, and the global economic recovery including the fact that many potential factors are unforeseeable and cannot be predicted or quantified with any degree of certainty;
- PrairieSky's business and growth strategy and anticipated sources of future income;
- PrairieSky's expectation that third party operators will remain active on PrairieSky's lands into 2023;
- PrairieSky's dividend policy and its intention to focus on repaying bank debt and distributing cash flow to shareholders in the form of dividends and opportunistic share repurchases and cancellations over time, which intention could change with little or no notice;
- PrairieSky's NCIB and specifically the volume and value of future repurchases under the NCIB based on current and forecast funds from operations, the annual dividend and level of bank debt;
- The manner in which PrairieSky manages collection and credit risk and its belief that the diversity of payors and products mitigate this risk;
- Possible revisions to accrued estimates based on receipt of actual results;
- The impact of compliance activities and recoveries, which vary quarterly;
- The impact of bonus consideration, which varies quarterly;
- The expectation that the Company will be in compliance with financial covenants under the Sustainable Credit Facility for the next twelve months;

- The Company's estimate regarding third-party operators' approach to budgets and capital spending;
- The ability to mitigate the risks of fluctuations in commodity prices and production volumes, including but not limited to the impacts from a slowdown in exploration and development activity;
- Average royalty production volume contributions from the Royalty Properties including the impact of exploration and development activity, acquisitions and/or production declines;
- The impact of increased interest rates and inflationary pressures on third-party exploration and development activity;
- The expectation that the majority of the Company's proved and probable reserves included in the reserve report prepared as of December 31, 2022, should be realized prior to a full transition away from carbon-based energy;
- The impact of PrairieSky's share price on administrative expenses;
- The expectation that there will be no operating costs, capital costs, environmental liabilities, or abandonment and reclamation obligations associated with the development of the Royalty Properties; and
- Changes to the legislative and regulatory frameworks, including changes to environmental legislation, in the jurisdictions in which the Company carries on a business.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, the trajectory of the global COVID-19 pandemic, volatility of commodity prices, lack of pipeline capacity and the impacts of pipeline maintenance on production flows, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, including physical and acute environmental risks, regulation, changes in tax or other legislation, increased interest rates and inflation, political and geopolitical instability, including the Russia-Ukraine conflict, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to title to the assets acquired and the potential for disputes to arise with third parties, and limited ability to recover indemnification from such third parties under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's Annual Information Form and in this MD&A under the heading "Risk Management".

With respect to forward-looking statements contained in this MD&A, we have made assumptions regarding, among other things, the ability of the lessees and working interest owners on the Royalty Properties to maintain or increase production and reserves from these properties; the ability and willingness of the lessees and working interest owners on the Royalty Properties to comply with, and PrairieSky to enforce, lease terms and contractual provisions, as applicable, in order to receive payments; the ability of the lessees or working interest owners on the Royalty Properties to operate in a safe, efficient and effective manner; the timely receipt of any required regulatory approvals by lessees or working interest owners on the Royalty Properties; the willingness and financial capability of the lessees and working interest owners to continue to develop and invest additional capital in the Royalty Properties; the ability of the lessees and working interest owners on the Royalty Properties to obtain financing on acceptable terms to fund capital expenditures; the impact of inflation on capital budgets and operating costs for lessees and working interest owners on the Royalty Properties; field production rates, decline rates and the well performance and characteristics of the Royalty Properties; the ability to replace and increase crude oil, natural gas and NGL reserves and production associated with the Royalty Properties through third-party development and complementary acquisitions; the timing, cost and ability of third parties to access, maintain or expand necessary facilities and/or secure adequate product transportation and storage; the ability of the third-party operators on the Royalty Properties to successfully market their respective petroleum and natural gas products or, for royalty payments taken-in-kind by PrairieSky, the ability of PrairieSky or a third-party marketer to successfully market PrairieSky's in-kind petroleum and natural gas products; surface rights access being granted to third parties on PrairieSky's Royalty Properties; the benefits of the seismic data anticipated to be used by PrairieSky and sub-licensed to lessees on the Royalty Properties; the level of costs and expenses to be incurred by PrairieSky, including with respect to interest, production and mineral taxes, administrative expenses and income taxes; the ability of PrairieSky to obtain and retain qualified staff and services in a timely and cost efficient manner; the absence of any material litigation or claims against or involving PrairieSky; the general stability of the economic and political environment and the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which PrairieSky has an interest in crude oil and natural gas properties; future crude oil, natural gas and NGL prices and currency exchange and interest rates; the effects of COVID-19 on global crude oil demand and pricing as well as local and global social and economic conditions; the effects of global political unrest, and specifically the Russia-Ukraine conflict, on global crude oil and natural gas supply and pricing; and PrairieSky's ability to execute the volume and/or value of purchases as described under the NCIB or future NCIBs.

Readers are cautioned that the assumptions used in the preparation of such forward-looking information and statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Any forward-looking statement is made only as of the date of this MD&A, and PrairieSky undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for PrairieSky to predict all of these factors or to assess in advance the impact of each such factor on PrairieSky's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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

CONVERSIONS OF NATURAL GAS TO BOE

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). We use the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

CURRENCY AND REFERENCES TO PRAIRIESKY

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

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

ADDITIONAL INFORMATION

Additional information about PrairieSky, including the 2022 audited annual consolidated financial statements and notes thereto, and PrairieSky's Annual Information Form, is available on SEDAR at www.sedar.com or PrairieSky's website at www.prairiesky.com.