



PRAIRIESKY ANNOUNCES 2017 FOURTH QUARTER AND YEAR END RESULTS AND DIVIDEND INCREASE

Calgary, Alberta (February 26, 2018)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its fourth quarter and year-end operating and financial results for the period ended December 31, 2017. In addition, PrairieSky's Board of Directors has approved a dividend increase of \$0.03 per share per annum (4%) and allocated \$50.0 million to extend PrairieSky's normal course issuer bid ("NCIB") from May 4, 2018 to May 3, 2019. The dividend increase to \$0.78 per share per annum (\$0.065 per share per month) will be effective for the March 2018 dividend payable on or about April 16, 2018.

2017 Fourth Quarter and Full Year Highlights:

- Recorded fourth quarter Funds from Operations of \$81.1 million (\$0.34 per common share) and \$290.2 million (\$1.23 per common share) for the year ended December 31, 2017.
- Reported average royalty production of 24,406 BOE per day (49% liquids) for the fourth quarter and 25,259 BOE per day (48% liquids) for the year ended December 31, 2017.
- Recorded lease bonus consideration of \$19.0 million for the fourth quarter and \$67.0 million for the year ended December 31, 2017.
- Dividends declared in the fourth quarter of \$44.2 million (\$0.1875 per share) resulting in a payout ratio of 55%.
- Completed acquisitions of producing and non-producing gross overriding royalties in the quarter, funded entirely from cash on hand, for aggregate consideration of approximately \$79 million. The producing assets represent over 300 BOE per day of high quality royalty production and 180,000 acres of royalty lands. The non-producing royalties provide exposure to two distinct emerging capital efficient oil resource plays and bring PrairieSky's land holdings to over 600,000 acres across these plays.
- Maintained a strong balance sheet with \$45.7 million of positive working capital and nil debt as of December 31, 2017.

PRESIDENT'S MESSAGE

PrairieSky is focused on its strategy of delivering strong, risk adjusted returns to its shareholders through all commodity price cycles and industry conditions. We executed our strategy throughout 2017 by leasing undeveloped land across multiple existing and new plays, managing controllable costs in our business, and selectively pursuing acquisitions which are accretive on a per share basis, and match the quality and duration of PrairieSky's existing business. Acquisitions completed in 2017 provide shareholders with exposure to growing oil resource plays in Canada.

During 2017, PrairieSky generated \$290.2 million in funds from operations which was bolstered by PrairieSky's active marketing of our fee title lands. PrairieSky earned a record \$67.0 million in lease bonus consideration during 2017, entering into approximately 140 leasing arrangements with over 80 different counterparties. Leasing activity was active on the East Shale Duvernay which represented approximately \$40.0 million of lease bonus consideration. Leasing activity is a precursor to future drilling activity on new and existing plays. During the fourth quarter of 2017, there were approximately 200 wells spud on PrairieSky lands. This brings the total to approximately 735 wells spud in the year as compared

to over 500 wells spud in 2016. We estimate that approximately \$1.1 billion in third party capital was spent drilling and completing wells on PrairieSky lands which includes capital spent on our two thermal oil projects during the year. Net capital is estimated to be \$74 million or 6.7%. Net capital as a percentage of gross decreased in 2017 as compared to 2016 due to significant capital investments on lower percentage gross overriding royalty lands, including our two thermal oil projects, and units during the year, as well as operators drilling longer horizontal wells across PrairieSky's land base. During 2017, licensing and drilling activity was focused on the Viking light oil play in western Saskatchewan and eastern Alberta, light oil plays in central Alberta and liquids rich resource plays, including the Montney and Spirit River, in the Deep Basin and northeast British Columbia.

Funds from operations were \$81.1 million in the fourth quarter. Funds from operations were used to pay dividends of \$44.2 million and \$11.0 million was used to purchase 336,700 common shares under PrairieSky's normal course issuer bid, with excess cash flow added to the balance sheet. PrairieSky remains committed to paying dividends and reducing the share count using internally generated free cash flow. PrairieSky is pleased to increase the dividend by \$0.03 per common share annually to \$0.78 per common share effective for the March 29, 2018 record date. At December 31, 2017, PrairieSky had positive working capital of \$45.7 million, including \$45.1 million of cash on hand and no debt.

During the quarter, PrairieSky invested approximately \$33 million of its annual lease bonus consideration to acquire royalty interests in emerging plays, including in the Clearwater oil play which represents an unparalleled position in a long duration, capital efficient oil play with significant scale. These acquisitions bring PrairieSky's land holdings in these emerging resource plays to over 600,000 acres. PrairieSky also deployed approximately \$46 million on producing gross overriding royalty assets acquiring over 300 BOE per day of production (approximately 46% liquids) and approximately 180,000 acres, primarily in the Alberta Viking formation. PrairieSky will remain selective and disciplined in our evaluation of royalty acquisition opportunities.

PrairieSky's Q4 2017 cash administrative expense was \$2.58 per BOE and \$3.00 per BOE for the year. PrairieSky continued to focus on cost control and investing in technology to benefit our business over the long term. PrairieSky's staff maintained their focus on ensuring timely and accurate royalty payments, collecting \$5.1 million in royalty compliance recoveries in Q4 2017 and \$10.6 million for the year.

I would like to thank our shareholders for their continued support and our dedicated staff for their efforts. Please contact Pam Kazeil, our Chief Financial Officer, at 587-293-4089 or myself at 587-293-4005 with any questions.

Andrew Phillips, President & CEO

DIVIDEND INCREASED TO \$0.78 PER SHARE; \$50.0 MILLION ALLOCATED TO NCIB

PrairieSky will increase its current dividend level to \$0.78 per common share, effective for the March 29, 2018 record date payable on or about April 16, 2018. The Board of Directors considers a number of factors in determining the dividend level, including current and projected activity levels on PrairieSky's royalty lands, the current commodity price environment and the working capital balance and earnings of the Company.

PrairieSky's Board has also authorized Management to apply to the Toronto Stock Exchange to extend its NCIB for an additional one-year period commencing on or about May 4, 2018 and has allocated \$50.0 million to repurchase common shares under the NCIB from May 4, 2018 to May 3, 2019. PrairieSky's current NCIB expires on May 3, 2018. During 2017, PrairieSky purchased and cancelled 1,402,300 common shares at an average price of \$30.09 and an aggregate cost of \$42.2 million, funded entirely from funds from operations.

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes selected operational and financial information of the Company for the periods noted. All dollar amounts are stated in Canadian dollars unless otherwise noted.

A full version of PrairieSky's Management's Discussion and Analysis ("**MD&A**") and Audited Financial Statements and notes thereto for the fiscal period ended December 31, 2017 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

FINANCIAL RESULTS

<i>(\$ Millions, unless otherwise noted)</i>	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
FINANCIAL				
Revenues	\$ 91.5	\$ 67.9	\$ 345.7	\$ 224.2
Funds from Operations	81.1	61.8	290.2	200.2
Per Share – basic and diluted ⁽¹⁾⁽²⁾	0.34	0.27	1.23	0.88
Net Earnings and Comprehensive Income	39.9	16.1	120.6	20.0
Per Share – basic and diluted ⁽²⁾	0.17	0.07	0.51	0.09
Dividends declared ⁽³⁾	44.2	41.1	176.2	186.7
Per Share	0.1875	0.1800	0.7450	0.8167
Acquisitions including non-cash consideration	80.8	112.2	380.5	144.8
Working Capital at period end	45.7	44.2	45.7	44.2
Shares Outstanding (millions)				
Shares outstanding at period end	236.0	228.0	236.0	228.0
Weighted average – basic	236.2	228.2	236.5	228.6
Weighted average – diluted	236.5	228.5	236.7	228.8
OPERATIONAL				
Royalty Production Volumes				
Natural Gas (MMcf/d)	75.2	78.2	78.1	74.7
Crude Oil (bbls/d)	9,419	8,583	9,565	8,455
NGL (bbls/d)	2,454	2,362	2,677	2,403
Total (BOE/d) ⁽⁴⁾	24,406	23,978	25,259	23,308
Realized Pricing				
Natural Gas (\$/Mcf)	\$ 1.56	\$ 2.27	\$ 1.81	\$ 1.65
Crude Oil (\$/bbl)	58.35	52.09	52.99	44.22
NGL (\$/bbl)	34.80	24.14	29.80	22.01
Total (\$/BOE) ⁽⁴⁾	\$ 30.82	\$ 28.47	\$ 28.84	\$ 23.61
Operating Netback per BOE⁽¹⁾	\$ 27.22	\$ 23.16	\$ 24.92	\$ 19.17
Funds from Operations per BOE	\$ 36.12	\$ 28.01	\$ 31.48	\$ 23.47
Natural Gas Price Benchmarks				
AECO (\$/Mcf)	\$ 1.96	\$ 2.82	\$ 2.43	\$ 2.09
Foreign Exchange Rate (US\$/CAD\$)	0.7865	0.7496	0.7703	0.7548
Oil Price Benchmarks				
West Texas Intermediate (WTI) (US\$/bbl)	\$ 54.83	\$ 48.64	\$ 51.26	\$ 42.99
Edmonton Light Sweet (\$/bbl)	\$ 66.70	\$ 59.95	\$ 63.32	\$ 52.82

(1) A non-GAAP measure which is defined under the Non-GAAP Measures section in the MD&A.

(2) Net Earnings and Comprehensive Income and Funds from Operations per Common Share are calculated using the weighted average number of Common Shares outstanding.

(3) A dividend of \$0.0625 per Common Share was declared on December 14, 2017. The dividend was paid on January 15, 2018 to shareholders of record as at December 29, 2017.

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

2017 RESERVES INFORMATION

PrairieSky's year end 2017 reserves were evaluated by independent reserves evaluators GLJ Petroleum Consultants Ltd. ("GLJ"). The evaluation of PrairieSky's royalty properties was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. PrairieSky's reserves information is included in the Company's Annual Information Form which is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, February 27, 2018 beginning at 6:30 a.m. MT (8:30 a.m. ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial:

(844) 657-2668 (toll free in North America)

(612) 979-9882 (International)

FORWARD-LOOKING STATEMENTS

This press release includes certain statements regarding PrairieSky's future plans and operations and contains forward-looking statements that we believe allow readers to better understand our business and prospects. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. Forward-looking statements contained in this press release include our expectations with respect to PrairieSky's business and growth strategy, future potential and prospectivity of new resource plays, additional fee land leasing activities, land leasing activities being a precursor to future drilling activity, and renewal of the NCIB and application to the TSX in respect of the same.

With respect to forward-looking statements contained in this press release, we have made several assumptions including those described in detail in our MD&A and the Annual Information Form for the period ended December 31, 2017. Readers and investors 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.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, political and geopolitical instability and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to the potential for disputes to arise with counterparties, and limited ability to recover indemnification under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's MD&A, and the Annual Information Form for the period ended December 31, 2017 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedar.com and PrairieSky's website at www.prairiesky.com.

Further, any forward-looking statement is made only as of the date of this press release, 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 document is expressly qualified by this cautionary statement.

CONVERSIONS OF NATURAL GAS TO BOE

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

NON-GAAP MEASURES

Certain measures in this document and PrairieSky's MD&A do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures. Non-GAAP measures 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. Further information can be found in the Non-GAAP Measures section of PrairieSky's MD&A.

Payout ratio is a non-GAAP measure not included in PrairieSky's MD&A. PrairieSky defines payout ratio as cash dividends paid and/or declared and not yet paid divided by funds from operations. This measure provides an understanding of PrairieSky's ability to provide the cash flow necessary to fund future dividends to shareholders.

ABOUT PRAIRIESKY ROYALTY LTD.

PrairieSky is a royalty-focused company, generating royalty revenues as petroleum and natural gas are produced from its properties. PrairieSky has a diverse portfolio of properties that have a long history of generating free cash flow and that represent the largest and most concentrated independently-owned fee simple mineral title position in Canada. PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.

FOR FURTHER INFORMATION PLEASE

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