

## **PRAIRIESKY ROYALTY LTD.**

### **DIVIDEND REINVESTMENT PLAN**

#### **PURPOSE**

The Dividend Reinvestment Plan (the "**Plan**") provides eligible holders ("**Shareholders**") of common shares ("**Shares**") of PrairieSky Royalty Ltd. ("**PrairieSky**") the advantage of accumulating additional Shares by reinvesting their dividends.

PrairieSky will determine prior to each dividend payment date the amount of equity, if any, that will be made available under the Plan on that date. No assurances can be made that Shares will be made available on a regular basis, or at all.

At the discretion of PrairieSky, Shares will either be issued from treasury at 99% of the Average Market Price or acquired at prevailing market rates with no discount. Generally, PrairieSky expects to issue Shares from treasury at a discount to satisfy the dividend reinvestment component of the Plan.

**Unless otherwise announced by PrairieSky, Shareholders who are not residents of Canada are not entitled to participate, directly or indirectly, in the Plan.**

#### **DEFINITIONS**

"**Average Market Price**" means the arithmetic average of the daily volume weighted average trading prices of the Shares on the Toronto Stock Exchange for the trading days in the Trading Period on which at least a board lot of Shares is traded, appropriately adjusted for certain capital changes (including Share subdivisions, Share consolidations, certain rights offerings and certain dividends).

"**CDS & Co.**" means CDS Clearing and Depository Services Inc. which acts as a nominee for many Canadian brokerage firms.

"**Participants**" means registered or beneficial holders of at least one Share who, on the applicable record date for a cash dividend, are eligible to participate in the Plan.

"**Enrolment Form**" means Dividend Reinvestment Enrollment - Participant Declaration Form.

"**Plan Agent**" means Equity Financial Trust Company, or such other company as is appointed by PrairieSky from time to time to act as Plan Agent under the Plan.

"**Trading Period**" means the five (5) consecutive trading days immediately prior to the applicable dividend payment date.

#### **ADVANTAGES**

The Plan provides eligible Shareholders with the advantage of acquiring additional Shares at potentially lower prices by reinvesting their dividends without paying any commissions, service charges or brokerage fees. An eligible Shareholder may, by enrolling in the Plan, direct that cash dividends on all Shares registered in the name of such Shareholder, together with cash dividends on Shares held for the account of such Shareholder under the Plan, be applied to the purchase of additional Shares, and may elect to have the additional Shares held for the account of such Shareholder under the Plan. After such approvals have been obtained, Shares will, in the discretion of PrairieSky, either be issued from treasury at 99% of the Average Market Price (the "**Discount**") or acquired at prevailing market rates.

Additional Shares which are purchased pursuant to the Plan will be purchased by the Plan Agent, who acts on behalf of the Participants. Where a Participant directs that additional Shares be purchased with the dividends on the

Participant's existing Shares, the Plan Agent will hold the additional Shares under the Plan for the account of the Participant.

Dividends paid on additional Shares purchased with reinvested dividends that are held under the Plan will automatically be reinvested in additional Shares in accordance with the Plan and the current election of the Participant.

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Shares under the Plan. Full investment of funds is possible because the Plan permits fractions of Shares (to six decimal places) as well as whole Shares to be credited to Participants' accounts.

**PrairieSky will determine prior to each dividend payment date the amount of equity, if any, that will be made available for issuance from treasury under the Plan on that date and PrairieSky will also determine if additional Shares will be purchased on the market. While it is PrairieSky's general expectation to issue Shares from treasury at a discount to satisfy the dividend reinvestment component of the Plan, no assurances can be made that Shares will be made available for issuance from treasury on a regular basis, or at all or whether Shares will be purchased on the market. No assurances can be made that if the determination is made to purchase additional Shares on the market that a sufficient number of additional Shares will be available for purchase on the market.**

## ADMINISTRATION

Equity Financial Trust Company has been appointed as Plan Agent under the Plan. If Equity Financial Trust Company ceases to act as Plan Agent for any reason, another qualified trust company will be designated by PrairieSky to act as Plan Agent and Participants will be promptly notified of the change.

The Plan Agent acts for and on behalf of the Participants. On each dividend payment date, PrairieSky will pay to the Plan Agent all cash dividends made on the Shares registered in the name of, or held under the Plan for the account of, Participants who have enrolled in the Plan. Subject to proration described below under the heading "Proration In Certain Events", the Plan Agent will use such funds, to purchase additional Shares. Additional Shares purchased under the Plan will be registered in the name of the Plan Agent, or its nominee, as agent for the Participants, and will be credited to the Participant's account.

Under the Plan, the Plan Agent will purchase (at the express direction of PrairieSky), on each dividend payment date, for each Participant's account the additional Shares, including fractions computed to six decimal places in the following manner:

- (a) in the case of a market purchase, the average of the actual price paid (excluding brokerage commissions, fees and transaction costs) per Share by the Plan Agent on the Toronto Stock Exchange (or applicable market) during the three (3) business days following the dividend payment date; or
- (b) in the case of a treasury purchase, the Average Market Price less a Discount (determined as described herein) of one percent (1%) at PrairieSky's election.

Any reinvestment of dividends will, at the discretion of PrairieSky, either be purchased from treasury or invested in additional Shares purchased through the market.

All funds received by the Plan Agent under the Plan will be applied to the purchase of additional Shares. **In no event will interest be paid to Participants on any funds held for investment under the Plan.**

## PARTICIPATION

Registered holders who are residents of Canada and hold at least one Share may enrol in the Plan at any time. Beneficial owners of Shares that are registered in the name of another person (such as a broker, investment dealer, financial institution or other nominee) may not directly enrol in the Plan, but may participate in the Plan through their

nominee. Beneficial owners of Shares may only participate in the Plan if they (i) transfer their Shares into their own name and then enrol in the Plan directly, or (ii) arrange through their broker/investment dealer/financial institution or other nominee to enrol via CDS & Co. in the Plan on their behalf. Where eligible beneficial holders wish to enrol in the Plan through their broker/investment dealer/financial institution or other nominee, CDS & Co. must, on behalf of beneficial holders, elect online through CDSX no later than 5:00 p.m. (Toronto time) on the applicable dividend record date.

Beneficial owners of Shares whose Shares are not registered in their own names should contact their broker, investment dealer, financial institution or other nominee who holds their Shares to request information regarding participation in this Plan on their behalf while maintaining the Shares in such nominee's account.

A registered Shareholder becomes a Participant by downloading the Enrolment Form at [www.tmxequitytransferservices.com](http://www.tmxequitytransferservices.com) and completing and delivering it to the Plan Agent at least five (5) business days prior to the relevant dividend record date. The Enrolment Form directs PrairieSky to forward to the Plan Agent all cash dividends on Shares registered in the name of the Participant, and directs the Plan Agent to reinvest such dividends, together with cash dividends on Shares held by the Plan Agent for the Participant's account under the Plan, in additional Shares in accordance with the Plan.

An Enrolment Form must be received by the Plan Agent not later than 3:00 p.m. (Toronto time) on the fifth (5th) business day immediately preceding the dividend record date in order for the cash dividend to which such record date relates to be reinvested under the Plan. If an Enrolment Form is received by the Plan Agent after a dividend record date, the dividend to which such record date relates will not be reinvested under the Plan and the Enrolment Form will only be effective for purposes of subsequent dividends.

Once a Shareholder has enrolled in the dividend reinvestment component of the Plan, participation in the manner elected by the Participant continues automatically until the Participant's participation in the Plan is terminated. The time at which a termination of Plan participation becomes effective is described under "Termination of Participation" below.

PrairieSky reserves the right to determine, from time to time, a minimum number of Shares that a Participant must hold in order to qualify for or continue enrolment in the Plan and reserves the right to refuse participation to, or cancel participation of, any person who, in the opinion of PrairieSky, is participating in the Plan primarily with a view to arbitrage trading.

## **SHAREHOLDERS OUTSIDE OF CANADA**

**Unless otherwise determined by PrairieSky, Shareholders who are resident in any other jurisdiction outside of Canada, may not participate, directly or indirectly, in the Plan.**

PrairieSky and the Plan Agent reserve the right to deny participation in the Plan to, and to not accept Enrolment Forms from, any person or agent of such person who appears to be or who PrairieSky or the Plan Agent has reason to believe is a resident of any jurisdiction the laws of which do not permit participation in the Plan in the manner sought by or on behalf of such person.

## **PRORATION IN CERTAIN EVENTS**

PrairieSky will determine on or before each dividend record date the amount of equity, if any, that will be made available under the Plan on the dividend payment date to which such record date relates. If, in respect of any dividend payment date, fulfilling all of the elections under the Plan would result in PrairieSky exceeding the limit on new equity set by PrairieSky in its discretion, then elections for the purchase of new Shares on that dividend payment date will be prorated among all Participants according to the number of additional Shares sought to be purchased.

If PrairieSky determines not to issue any equity through the Plan on a particular dividend payment date, and if PrairieSky has instructed the Plan Agent not to otherwise purchase Shares on the market at prevailing market prices

in accordance with the Plan, all Participants will receive the cash dividends to which they would otherwise be entitled to on such dividend payment date.

### **PRICE OF NEW SHARES**

Dividends due to Participants will be paid to the Plan Agent and will be applied to the purchase of Shares.

Subject to the restrictions on the acquisition of additional Shares described herein, additional Shares may be acquired, at the election of PrairieSky, either from treasury or through the facilities of the Toronto Stock Exchange or other exchanges on which the Shares may be listed for trading. At the discretion of PrairieSky, additional Shares may be issued from treasury, at a price equal to 99% of the Average Market Price, or PrairieSky may purchase additional Shares through the facilities of the Toronto Stock Exchange or other exchanges on which the Shares may be listed for trading. Additional Shares can be acquired through the facilities of the Toronto Stock Exchange or other exchanges on which the Shares may be listed for trading at any time during the three (3) business day period following the relevant dividend payment date at prevailing market rates not exceeding 115% of the volume weighted average trading price. If additional Shares are unavailable during the three (3) business day market buy, PrairieSky will issue the remaining Shares from treasury at a price equal to 99% of the Average Market Price.

### **COSTS**

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Shares under the Plan. All administrative costs of the Plan, including the fees and expenses of the Plan Agent, will be borne by PrairieSky. However, Participants who enrol in the Plan through a broker, trust company, bank or other nominee may be subject to fees in accordance with their nominee.

### **ACCOUNTS AND REPORTS TO PARTICIPANTS**

An account will be maintained by the Plan Agent for each registered Participant. Unaudited statements of account will be mailed to each registered Shareholder for each dividend payment. These statements are a Participant's continuing record of purchases of Shares made for such Participant's account under the Plan and should be retained for income tax purposes. The Plan Agent will also send annually to each registered Shareholder certain tax forms for tax reporting purposes. Adjusted cost base calculations for tax reporting purposes will be the responsibility of each Participant as the averaging rules may apply so that such calculations may depend on the cost of other Shares held by the Participant.

Beneficial owners of Shares who are enrolled in the Plan through a nominee may or may not be provided with such reports or forms from their nominee.

### **WITHDRAWAL OF PLAN SHARES**

Shares purchased and held under the Plan will be registered in the name of the Plan Agent or its nominee, as agent for the Participants and held under the Plan. Certificates for whole Shares will be issued to Participants only if the Plan is terminated by PrairieSky, participation in the Plan is terminated by a Participant or by PrairieSky, or a Participant withdraws all or some of its Shares held by the Plan Agent for the Participants from its account under the Plan. Certificates will only be issued in the name of the applicable Participant and will only be issued for whole Shares.

Participants who wish to withdraw Shares from the Plan, but do not wish to terminate their participation in the Plan, may do so by duly completing the withdrawal portion of the voucher located on the reverse of the statement of account (the "**Withdrawal Request Form**") and sending it to the Plan Agent. A Withdrawal Request Form may also be obtained from the Plan Agent at the address set forth in the "Notices" section of the Plan or by contacting the Plan Agent at the number listed below. A share certificate will normally be issued within three weeks of receipt by the Plan Agent of the Participant's Withdrawal Request Form. Any remaining whole Shares and any fraction of a Share will continue to be held for the Participant's account under the Plan. A share certificate for Shares purchased and held under the Plan, whether registered in the name of the Plan Agent or its nominee or whether registered in the name of

the Participant may, if so required by a securities commission, contain a legend indicating restrictions on the resale of the Shares.

If the Withdrawal Request Form is not received by the Plan Agent five (5) business days before a dividend record date, then the withdrawal from the Plan will not commence until after the next dividend reinvestment has been completed.

Accounts under the Plan are maintained in the names in which Shares are registered at the time the Participants entered the Plan, and withdrawals from the Plan will be similarly registered.

Shares held by the Plan Agent for a Participant under the Plan may not be pledged, sold or otherwise disposed of by the Participant while so held.

## **TERMINATION OF PARTICIPATION**

Participation in the Plan may be terminated by a Participant by duly completing the termination portion of the Withdrawal Request Form or the termination portion of the voucher on the reverse of the statement of account (the "**Termination Request Form**") and sending it to the Plan Agent. A Termination Request Form may also be obtained from the Plan Agent at the address set forth in the "Notices" section or by contacting the Plan Agent at the number listed below. The Participant will receive a share certificate for the number of whole Shares held by the Plan Agent in such Participant's account and a cash payment for any remaining fraction of a Share so held. Any fractional Share interest will be paid based on the closing market price of the Shares on the Toronto Stock Exchange on the trading day prior to the date the Termination Request Form is received by the Plan Agent.

Generally, a Termination Request Form will be processed within three weeks of the receipt by the Plan Agent of the Termination Request Form or within three weeks after the next dividend payment date. No Termination Request Form will be processed between the dividend record date and the dividend payment date

Participation in the Plan of a Participant will be terminated automatically in the event that a Participant ceases to be a resident of Canada for the purposes of the *Income Tax Act* (Canada), as amended from time to time (the "**Tax Act**"), and a Participant must deliver to the Plan Agent a written notice stating the occurrence of such event. A share certificate for whole Shares in such Participant's account will be issued in the name of such Participant along with a cash payment representing payment for any fraction of a Share in the account. To the extent that a Participant ceases to be a resident of Canada, dividends will be subject to applicable non-resident withholding tax.

Participation in the Plan will be terminated upon receipt by the Plan Agent of evidence satisfactory to the Plan Agent of the death of a Participant; thereafter all dividends paid in respect of the Shares of the deceased Participant will be paid in cash. In the case of termination of participation due to death, a share certificate for whole Shares held in such Participant's account will be issued in the name of the estate of the deceased Participant along with a cash payment representing payment for any fraction of a Share in the account.

If the termination request, notice of non-residence or notice of a Participant's death is not received by the Plan Agent five (5) business days before a dividend record date, then the termination and settlement of the Participant's account will not commence until after the next dividend reinvestment has been completed.

## **RISK OF MARKET PRICE FLUCTUATIONS**

Participants should recognize that Shares acquired under the Plan are no different from an investment in Shares directly held. Accordingly, neither PrairieSky nor the Plan Agent can assure a profit or protect Participants against a loss on the Shares purchased under the Plan.

## **RIGHTS OFFERING**

In the event that PrairieSky makes available to Shareholders rights to subscribe for additional Shares or other securities, rights certificates will be issued by PrairieSky to each Participant in respect of whole Shares held in a Participant's account under the Plan on the record date for such rights issue.

Rights issuable on a fraction of a Share held for a Participant's account will be sold for such Participant by the Plan Agent and the net proceeds of such sale paid to the Participant.

## **SUBDIVISIONS**

If Shares are distributed pursuant to a subdivision of Shares, such Shares received by the Plan Agent for Participants under the Plan will be held by the Plan Agent and credited by the Plan Agent proportionately to the accounts of the Participants in the Plan. A certificate for any Shares resulting from such a subdivision of Shares that are registered in the name of a Participant, rather than the name of the Plan Agent, will be sent directly to the Participant in the same manner as to Shareholders who are not participating in the Plan.

## **SHAREHOLDER VOTING**

Whole Shares held for a Participant's account under the Plan on the record date for a vote of Shareholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant. Shares for which instructions are not received will not be voted. No voting rights will attach to any fraction of a Share held for a Participant's account under the Plan.

## **RESPONSIBILITIES OF PRAIRIESKY AND THE PLAN AGENT**

Neither PrairieSky nor the Plan Agent shall be liable for any act or for any omission to act in connection with the operation of the Plan including, without limitation, any claims for liability:

- (a) arising out of the failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (b) with respect to the prices and times at which Shares are purchased for the account of or on behalf of a Participant;
- (c) with respect to decisions by PrairieSky to raise or not raise equity through the Plan in any given month, or the amount of equity raised, if any; and
- (d) arising out of a prorating, for any reason, of the amount of equity available under the Plan in the circumstances described herein.

Participants should recognize that neither PrairieSky nor the Plan Agent can assure a profit or protect them against a loss on the Shares purchased under the Plan.

Shareholders should also be aware that certain nominees may not allow participation in the Plan, and neither PrairieSky nor the Plan Agent is responsible for monitoring or advising which nominees allow participation.

## **AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN**

PrairieSky reserves the right to amend, suspend or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice the interests of the Participants. All amendments to the Plan will be subject to the prior approval of the Toronto Stock Exchange. All Participants will be sent written notice of any such amendment, suspension or termination. In the event of termination of the Plan by PrairieSky, the Plan Agent will send to the Participants (or to their brokers or other nominees, as applicable) share certificates for whole Shares held for Participants' accounts under the Plan (which may contain a legend indicating restrictions on the resale of the Shares) and cheques in payment for any remaining fractions of Shares in Participants' accounts. In the event of suspension of the Plan by PrairieSky, no investment will be made by the Plan Agent on the dividend payment date immediately following the effective date of such suspension.

## **INTERPRETATION**

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined by PrairieSky.

## **NOTICES**

All notices required to be given to a Participant under this Plan will be mailed to the most recent address shown on the records of the Plan Agent.

All communications to the Plan Agent and requests for forms or information regarding this Plan should be directed to:

Equity Financial Trust Company  
200 University Avenue, Suite 300  
Toronto, Ontario M5H 4H1

Attention: Dividend Reinvestment Department  
Telephone: 1-866-393-4891 Ext 205  
Email: [tmxeinvestorservices@tmx.com](mailto:tmxeinvestorservices@tmx.com)  
[www.tmxequitytransferservices.com](http://www.tmxequitytransferservices.com)

Notices to PrairieSky Royalty Ltd. shall be sent to:

PrairieSky Royalty Ltd.  
1900, 411 – 1st Street SE  
Calgary, Alberta T2G 4Y5

Attention: Corporate Secretary  
Fax: (587) 293-4001

## **EFFECTIVE DATE OF THE PLAN**

The effective date of the Plan is March 16, 2015.