MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED **DECEMBER 31, 2023 AND 2022**

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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 annual consolidated financial statements and related notes as at and for the years ended December 31, 2023 and 2022 ("financial statements"). This MD&A has been prepared as of February 12, 2024.

The financial statements and comparative information have been prepared in Canadian dollars and in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and also referred to in this MD&A as Generally Accepted Accounting Principles ("GAAP"). 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, Cash Administrative Expenses per BOE, and Dividend Payout Ratio. 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 2023	Three months ended December 31 2022	Year ended December 31 2023	Year ended December 31 2022
FINANCIAL				
Revenues	**136.6**	150.6	**513.2**	643.3
Funds from operations	**111.1**	119.5	**382.5**	507.6
Per share - basic(1)	**0.46**	0.50	**1.60**	2.13
Per share - diluted(1)	**0.46**	0.50	**1.60**	2.12
Net earnings	**67.4**	67.3	**227.6**	317.5
Per share - basic and diluted(1)	**0.28**	0.28	**0.95**	1.33
Dividends declared(2)	**57.3**	57.3	**229.2**	143.3
Per share	**0.24**	0.24	**0.96**	0.60
Dividend payout ratio(3)	**52%**	48%	**60%**	28%
Acquisitions - including non-cash consideration	**22.2**	6.2	**58.4**	30.6
Net debt(4)	**222.1**	315.1	**222.1**	315.1
Shares outstanding				
Shares outstanding at period end	**239.0**	238.9	**239.0**	238.9
Weighted average - basic	**239.0**	238.8	**239.0**	238.8
Weighted average - diluted	**239.0**	239.2	**239.0**	239.1
OPERATIONAL				
Royalty production volumes				
Crude oil (bbls/d)	**12,844**	12,166	**12,438**	11,739
NGL (bbls/d)	**2,697**	2,681	**2,502**	2,684
Natural gas (MMcf/d)	**60.4**	66.4	**59.5**	64.7
Royalty Production (BOE/d)(5)	**25,608**	25,914	**24,857**	25,206
Realized pricing				
Crude oil ($/bbl)	**83.27**	88.36	**82.52**	102.88
NGL ($/bbl)	**46.07**	54.56	**47.60**	59.73
Natural gas ($/Mcf)	**2.19**	5.30	**2.60**	4.93
Total ($/BOE)(5)	**51.78**	60.74	**52.31**	66.92
Operating netback per BOE(6)	**48.68**	57.89	**46.32**	63.43
Funds from operations per BOE	**47.16**	50.12	**42.16**	55.17
Oil price benchmarks				
West Texas Intermediate (WTI) (US$/bbl)	**78.32**	82.64	**77.62**	94.23
Edmonton light sweet ($/bbl)	**99.72**	110.04	**100.46**	120.07
Western Canadian Select (WCS) crude oil differential to WTI (US$/bbl)	**(21.89)**	(25.66)	**(18.65)**	(18.22)
Natural gas price benchmarks				
AECO Monthly Index ($/Mcf)	**2.66**	5.58	**2.93**	5.56
AECO Daily Index ($/Mcf)	**2.30**	5.11	**2.64**	5.31
Foreign exchange rate (US$/CAD$)	**0.7343**	0.7365	**0.7410**	0.7683

(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 5, 2023. The dividend was paid on January 15, 2024 to shareholders of record as at December 29, 2023.
(3) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section in this MD&A
(4) See Note 15 "Capital Management" in the financial statements and the section "Capital Management" in this MD&A.
(5) See "Conversions of Natural Gas to BOE" in this MD&A.
(6) Operating Netback per BOE is defined under the section "Non-GAAP Measures and Ratios" in this MD&A.

Results Overview

HIGHLIGHTS

Highlights of PrairieSky's financial results for the three months ended December 31, 2023 ("Q4 2023") include:

- Royalty production averaged 25,608 BOE per day (61% liquids), including oil royalty production of 12,844 barrels per day which increased 6% over the three months ended December 31, 2022 ("Q4 2022").
- Revenues totaled $136.6 million in Q4 2023 and consisted of $122.0 million of royalty production revenue, $2.9 million of lease rental income, $11.2 million of lease bonus consideration and $0.5 million of other income.
- Q4 2023 funds from operations totaled $111.1 million ($0.46 per share, basic and diluted).
- Dividends declared of $57.3 million ($0.24 per share) in Q4 2023.
- On February 12, 2024, PrairieSky announced a 4% increase to its quarterly dividend to $0.25 per common share ($1.00 per common share annualized) effective for the March 29, 2024 record date.
- Reduced net debt by 12% in the quarter.

Highlights of PrairieSky's financial results for the year ended December 31, 2023 ("YE 2023") include:

- Royalty production averaged 24,857 BOE per day (60% liquids), including oil royalty production of 12,438 barrels per day, an increase of 6% year over year.
- Revenues totaled $513.2 million for YE 2023 and consisted of $474.6 million of royalty production revenue, $7.6 million of lease rental income, $26.0 million of lease bonus consideration and $5.0 million of other income.
- YE 2023 funds from operations totaled $382.5 million ($1.60 per share, basic and diluted).
- Dividends declared of $229.2 million ($0.96 per share) for YE 2023 as compared to $143.3 million ($0.60 per share) for the year ended December 31, 2022 ("YE 2022"), reflecting a 60% increase in PrairieSky's dividend.
- Reduced net debt by 30% from December 31, 2022.

PrairieSky's 2024 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. Third-party operators were active across Western Canada and on PrairieSky's lands throughout 2023 and are expected to remain active into 2024. PrairieSky's management continues to monitor commodity prices, industry activity levels and third-party anticipated capital expenditures for 2024 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 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 February 12, 2024, PrairieSky announced a 4% increase to its quarterly dividend to $0.25 per common share ($1.00 per common share annualized) effective for the March 29, 2024 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 8.5 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 as well as upfront bonus consideration earned on entering into new leases and annual rental fees to maintain leases. 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, as well as other factors such as seasonal weather impacts and from time to time, the effects of severe weather events and natural disasters, including forest fires. 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, and macroeconomic events. 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, 2023, PrairieSky received royalty production revenue from over 43,000 wells and received payments from over 325 different industry payors. The Company received approximately 75% of its monthly revenue from 27 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 for the production of petroleum and natural gas. Nor is the Company responsible for the related site restoration and abandonment costs. Capital, operational expenses and abandonment costs are the responsibility of the third parties conducting these operations on the Royalty Properties. Substantially all capital expenditures made by PrairieSky are discretionary. Costs incurred by the Company are primarily production and mineral taxes, administrative expenses, finance expenses and corporate income taxes.

Royalty Production

Royalty Production Volumes

	Three months ended December 31			Year ended December 31		
(Average daily)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Crude oil (bbls/d)	**12,844**	12,166	**6**	**12,438**	11,739	**6**
NGL (bbls/d)	**2,697**	2,681	**1**	**2,502**	2,684	**(7)**
Natural gas (MMcf/d)	**60.4**	66.4	**(9)**	**59.5**	64.7	**(8)**
Total royalty production (BOE/d)	**25,608**	25,914	**(1)**	**24,857**	25,206	**(1)**

PrairieSky's average daily royalty production volumes for Q4 2023 were comprised of 50% crude oil, 11% NGL and 39% natural gas as compared to Q4 2022 when the production volume split was 47% crude oil, 10% NGL and 43% natural gas. The average daily royalty production volumes for YE 2023 were comprised of 50% crude oil, 10% NGL and 40% natural gas as compared to YE 2022 when the production volume split was 47% crude oil, 10% NGL and 43% 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, 2023

Royalty production volumes totaled 25,608 BOE per day in Q4 2023, a slight decrease from Q4 2022 royalty production volumes of 25,914 BOE per day. The decrease is primarily related to the impact of natural declines in natural gas royalty production volumes partially offset by organic growth in oil royalty production volumes from new wells on stream. A further breakdown by product is as follows:

- Average crude oil royalty production volumes for Q4 2023 of 12,844 barrels per day have increased 6% from 12,166 barrels per day reported in Q4 2022 as a result of organic growth from new wells on stream and 24 barrels per day of royalty acquisition volumes which more than offset the combined impact of natural declines and lower sliding scale volumes due to weaker WTI benchmark pricing.

- Average NGL royalty production volumes for Q4 2023 of 2,697 barrels per day remained flat with 2,681 barrels per day reported in Q4 2022 as a result of organic growth from new wells on stream which offset the impact of natural declines.

- Average natural gas royalty production volumes for Q4 2023 of 60.4 MMcf per day decreased 9% from 66.4 MMcf per day reported in Q4 2022 as a result of natural declines which more than offset royalty production volumes from new wells on stream.

For the year ended December 31, 2023

Royalty production volumes totaled 24,857 BOE per day for YE 2023, a slight decrease from YE 2022 royalty production volumes of 25,206 BOE per day. The decrease is primarily related to natural declines, operational downtime due to wildfires of approximately 190 BOE per day, facility maintenance and a royalty compliance adjustment impacting natural gas and NGL volumes recorded in Q2 2023 of approximately 275 BOE per day. These impacts were partially offset by active third-party drilling on PrairieSky's Royalty Properties which has driven organic royalty production growth in oil. A further breakdown by product is as follows:

- Average crude oil royalty production volumes for YE 2023 of 12,438 barrels per day have increased 6% from 11,739 barrels per day reported for YE 2022 as a result of organic growth from new wells on stream more than offsetting the combined impact of operational downtime due to wildfires of approximately 35 barrels per day, natural declines and lower sliding scale volumes as a result of weaker WTI benchmark pricing.

- Average NGL royalty production volumes for YE 2023 of 2,502 barrels per day decreased 7% from 2,684 barrels per day reported for YE 2022 as a result of operational downtime due to wildfires of approximately 50 BOE per day, a Q2 2023 royalty compliance adjustment of approximately 85 barrels per day and natural declines partially offset by royalty production volumes from new wells on stream.

- Average natural gas royalty production volumes for YE 2023 of 59.5 MMcf per day decreased 8% from 64.7 MMcf per day reported for YE 2022 as a result of operational downtime due to wildfires of approximately 0.6 MMcf per day, a Q2 2023 royalty compliance adjustment of 1.1 MMcf per day and natural declines partially offset by royalty production volumes from new wells on stream.

Financial Results

Operating Results

	Three months ended December 31, 2023		Three months ended December 31, 2022	
	($ millions)	**($/BOE)(2)**	**($ millions)**	**($/BOE)(2)**
Royalty production revenue	**122.0**	**51.78**	144.8	60.74
Production and mineral taxes	**(1.7)**	**(0.72)**	(1.7)	(0.71)
Cash administrative expenses(1)	**(5.6)**	**(2.38)**	(5.1)	(2.14)
Operating netback(1)	**114.7**	**48.68**	138.0	57.89
Operating margin(1)	**94%**	**94%**	95%	95%

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	($ millions)	**($/BOE)(2)**	**($ millions)**	**($/BOE)(2)**
Royalty production revenue	**474.6**	**52.31**	615.7	66.92
Production and mineral taxes	**(6.4)**	**(0.71)**	(6.6)	(0.72)
Cash administrative expenses(1)	**(47.9)**	**(5.28)**	(25.5)	(2.77)
Operating netback(1)	**420.3**	**46.32**	583.6	63.43
Operating margin(1)	**89%**	**89%**	95%	95%

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

The Q4 2023 operating netback of $114.7 million ($48.68 per BOE) has decreased 17% from $138.0 million ($57.89 per BOE) in Q4 2022 primarily due to the impact of lower benchmark commodity prices on realized pricing and higher cash administrative expenses. Changes in administrative expenses and production and mineral taxes are further discussed below.

The YE 2023 operating netback of $420.3 million ($46.32 per BOE) has decreased 28% from $583.6 million ($63.43 per BOE) in YE 2022 primarily due to the impact of lower benchmark commodity prices on realized pricing and higher cash administrative expenses. Changes in administrative expenses and production and mineral taxes are further discussed below.

Revenue

($ millions)	Three months ended December 31			Year ended December 31		
Royalty production revenue by product	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Crude oil	**98.4**	98.9	**(1)**	**374.6**	440.8	**(15)**
NGL	**11.4**	13.5	**(16)**	**43.5**	58.6	**(26)**
Natural gas	**12.2**	32.4	**(62)**	**56.5**	116.3	**(51)**
	122.0	144.8	**(16)**	**474.6**	615.7	**(23)**
Other revenue						
Lease rental income	**2.9**	2.1	**38**	**7.6**	7.8	**(3)**
Bonus consideration	**11.2**	3.0	**273**	**26.0**	16.2	**60**
Other income	**0.5**	0.7	**(29)**	**5.0**	3.6	**39**
	14.6	5.8	**152**	**38.6**	27.6	**40**
Revenues	**136.6**	150.6	**(9)**	**513.2**	643.3	**(20)**

($ millions)	Three months ended December 31		Year ended December 31	
Revenues by classification	**2023**	**2022**	**2023**	**2022**
Lessor Interests on Fee Lands	**79.3**	92.4	**309.8**	387.0
GORR Interests	**42.7**	52.4	**164.8**	228.7
Royalty production revenue	**122.0**	144.8	**474.6**	615.7
Other revenue	**14.6**	5.8	**38.6**	27.6
Revenues	**136.6**	150.6	**513.2**	643.3

	Three months ended December 31			Year ended December 31		
Pricing	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Benchmark						
WTI (US$/bbl)	**78.32**	82.64	**(5)**	**77.62**	94.23	**(18)**
Edmonton light sweet ($/bbl)	**99.72**	110.04	**(9)**	**100.46**	120.07	**(16)**
WCS differential to WTI (US$/bbl)	**(21.89)**	(25.66)	**(15)**	**(18.65)**	(18.22)	**2**
AECO monthly index ($/Mcf)	**2.66**	5.58	**(52)**	**2.93**	5.56	**(47)**
AECO daily index ($/Mcf)	**2.30**	5.11	**(55)**	**2.64**	5.31	**(50)**
Foreign exchange rate (US$/CAD$)	**0.7343**	0.7365	**-**	**0.7410**	0.7683	**(4)**

	Three months ended December 31			Year ended December 31		
Realized pricing	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Crude oil ($/bbl)	**83.27**	88.36	**(6)**	**82.52**	102.88	**(20)**
NGL ($/bbl)	**46.07**	54.56	**(16)**	**47.60**	59.73	**(20)**
Natural gas ($/Mcf)	**2.19**	5.30	**(59)**	**2.60**	4.93	**(47)**
Total ($/BOE)	**51.78**	60.74	**(15)**	**52.31**	66.92	**(22)**

The Company's average royalty rate for all producing wells on the Royalty Properties was approximately 6.1% in Q4 2023 (Q4 2022 - 6.0%). During Q4 2023, royalty production revenue was $122.0 million compared to $144.8 million for the same quarter in 2022, a decrease of 16% primarily as a result of lower average WTI and AECO benchmark pricing, a wider light oil differential and decreased natural gas production volumes, partially offset by the positive impact of higher oil royalty production volumes and a narrower average heavy oil differential. The impacts on realized pricing are further detailed below.

During Q4 2023, revenue from Lessor Interests on Fee Lands was $79.3 million or 65% of total royalty production revenue. Revenue from GORR Interests was $42.7 million or 35% of total royalty production revenue for the same period. During the prior year comparative period, $92.4 million or 64% of total royalty production revenue was generated from Lessor Interests on Fee Lands and $52.4 million or 36% 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 was approximately 6.0% in both YE 2023 and YE 2022. During YE 2023, royalty production revenue was $474.6 million as compared to $615.7 million in YE 2022, a decrease of 23% primarily as a result of lower average WTI and AECO benchmark pricing, and decreased NGL and natural gas royalty production volumes, partially offset by increased oil royalty production volumes and a weaker average Canadian dollar relative to the US dollar.

During YE 2023, revenue from Lessor Interests on Fee Lands was $309.8 million or 65% of total royalty production revenue. Revenue from GORR Interests was $164.8 million or 35% of total royalty production revenue for the same period. During YE 2022, $387.0 million or 63% of total royalty production revenue was generated from Lessor Interests on Fee Lands and $228.7 million or 37% from GORR Interests. In addition to royalty production revenue from Lessor Interests, all lease rental income and bonus consideration are generated from Fee Lands.

During Q4 2023, the Company averaged realized oil pricing of $83.27 per barrel, NGL pricing of $46.07 per barrel and natural gas pricing of $2.19 per Mcf as compared to Q4 2022 when the Company averaged realized oil pricing of $88.36 per barrel, NGL pricing of $54.56 per barrel and natural gas pricing of $5.30 per Mcf. Q4 2023 realized oil pricing decreased 6% from Q4 2022 primarily due to decreased average WTI crude oil benchmark pricing which averaged US$78.32 per barrel, 5% lower than Q4 2022. Q4 2023 realized NGL pricing decreased 16% from Q4 2022 due to lower benchmark pricing. Realized natural gas prices decreased 59% in Q4 2023 as compared to Q4 2022 due to an over 50% decrease in average monthly and daily AECO benchmark pricing.

During YE 2023, the Company averaged realized oil pricing of $82.52 per barrel, NGL pricing of $47.60 per barrel and natural gas pricing of $2.60 per Mcf as compared to YE 2022 when the Company averaged realized oil pricing of $102.88 per barrel, NGL pricing of $59.73 per barrel and natural gas pricing of $4.93 per Mcf. YE 2023 realized oil pricing decreased 20% from YE 2022 primarily due to weaker WTI crude oil benchmark pricing which averaged US$77.62 per barrel, 18% lower than YE 2022. The negative pricing impact was partially offset by a weaker average Canadian dollar relative to the US dollar. YE 2023 realized NGL pricing decreased 20% from YE 2022 due to lower benchmark pricing. Realized natural gas pricing decreased 47% in YE 2023 as compared to YE 2022 due to a decrease of just under 50% in average monthly and daily AECO benchmark pricing.

Royalty compliance recoveries are the cash payments received as a result of the extensive process of identifying, analyzing and collecting 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 recoveries are not recorded in the financial statements until collection of outstanding amounts is certain or overpayments are identified. Compliance recoveries totaled $2.0 million for Q4 2023 (Q4 2022 - $2.1 million) and $6.6 million for YE 2023 (YE 2022 - $8.5 million). Compliance recoveries are included in royalty production revenue for the period.

Other revenue consisted primarily of lease bonus consideration and lease rentals from new and historical leasing arrangements on Fee Lands. Lease rental income for Q4 2023 and YE 2023 was $2.9 million (Q4 2022 - $2.1 million) and $7.6 million (YE 2022 - $7.8 million), respectively. Lease bonus consideration revenue for Q4 2023 was $11.2 million (Q4 2022 - $3.0 million), the highest quarterly bonus consideration earned since 2017. For YE 2023, lease bonus consideration totaled $26.0 million (YE 2022 - $16.2 million), as industry looked to increase their drilling inventory. Both the amount and timing of lease bonus consideration revenue can vary significantly from quarter to quarter as it relates to the unique circumstances of each transaction. Other income totaled $0.5 million for Q4 2023 (Q4 2022 - $0.7 million) and $5.0 million for YE 2023 (YE 2022 - $3.6 million) with the decrease from Q4 2022 primarily related to a decrease in potash royalty pricing partially offset by revenue received for seismic data licensing. The increase in YE 2023 over YE 2022 was primarily related to increased seismic data licensing to third-party operators.

Administrative Expenses

($ millions, except per BOE amounts)	Three months ended December 31 2023	2022	Year ended December 31 2023	2022
Salaries and benefits	**3.7**	3.8	**16.0**	13.4
Share-based compensation	**0.5**	11.3	**20.9**	28.3
Office expense	**1.1**	0.6	**3.8**	3.4
Public company expense	**0.4**	0.3	**2.0**	1.8
Information technology and other	**0.4**	0.4	**2.3**	1.9
Total administrative expenses	**6.1**	16.4	**45.0**	48.8
Administrative expenses per BOE(1)	**2.59**	6.88	**4.96**	5.30
Total administrative expenses	**6.1**	16.4	**45.0**	48.8
Share-based compensation expense	**(0.5)**	(11.3)	**(20.9)**	(28.3)
Cash payments made – share unit plans	**-**	-	**23.8**	5.0
Total cash administrative expenses(2)	**5.6**	5.1	**47.9**	25.5
Cash administrative expenses per BOE(1)(2)	**2.38**	2.14	**5.28**	2.77

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

Administrative expenses for Q4 2023 and YE 2023 were $2.59 per BOE (Q4 2022 - $6.88 per BOE) and $4.96 per BOE (YE 2022 - $5.30 per BOE), respectively. The decrease in administrative expense for both Q4 2023 and YE 2023 compared to prior periods is related to the decrease in share-based compensation expense which is calculated based on the number of outstanding share-based awards multiplied by the change in share price in the periods.

Administrative expenses include both cash and non-cash charges which relate to share-based compensation plans. When cash share-based compensation payouts are made, there is an increase in cash administrative expenses in the period. Cash administrative expenses for Q4 2023 were $2.38 per BOE, as compared to Q4 2022 cash administrative expenses of $2.14 per BOE. The slight increase is a result of increased office and public company expenses and decreased production. Cash administrative expenses for YE 2023 were $5.28 per BOE, up from YE 2022 cash administrative expenses of $2.77 per BOE as a result of increased company payouts related to annual share-based compensation, a deferred share unit ("DSU") payment related to a retiring Director and a termination payment related to a leadership change of $13.3 million of which $10.5 million had been recognized in earnings from the time of grant until the date of departure primarily as stock-based compensation expense. Cash payments for YE 2023 totaled $23.8 million (YE 2022 - $5.0 million). The increase in the annual payout was primarily related to a higher performance multiplier applied to executive-held performance share units ("PSUs") due to strong share price and corporate performance. In addition, there were no DSU or off cycle share-based compensation payments made in 2022. For more information, see the Company's Information Circular and Proxy Statement dated February 27, 2023 which is available on SEDAR+ at www.sedarplus.ca or the Company's website at www.prairiesky.com.

($ millions) **Share-based compensation**	Three months ended December 31 2023	2022	Year ended December 31 2023	2022
Stock option expense	**-**	0.1	**-**	0.2
PSU expense	**0.7**	7.2	**13.3**	18.1
RSU expense	**0.2**	0.7	**1.5**	1.5
ODSU expense	**0.3**	1.3	**3.5**	3.1
DSU expense (recovery)	**(0.7)**	2.0	**2.6**	5.4
Share-based compensation expense	**0.5**	11.3	**20.9**	28.3

Administrative expenses related to restricted share units ("RSUs"), PSUs, officer deferred share units ("ODSUs"), and 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, 2023 was $23.20, as compared to $21.70 at December 31, 2022. Share-based compensation expense is calculated based on the change in the share price in the period and the number of outstanding share-based awards at period end, with an estimate of the ultimate performance multiplier applied to PSUs. There are no RSUs, PSUs, ODSUs, DSUs or stock options outstanding from any employee, officer or director incentive plans that can be settled in common shares at December 31, 2023.

Production and Mineral Taxes

	Three months ended December 31		**Year ended December 31**	
($ millions, except per BOE amounts)	**2023**	**2022**	**2023**	**2022**
Production and mineral taxes	**1.7**	1.7	**6.4**	6.6
$/BOE(1)	**0.72**	0.71	**0.71**	0.72

(1) See “Conversions of Natural Gas to BOE” in this MD&A.

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. Q4 2023 production and mineral taxes were 1.4% of royalty production revenue compared to 1.2% in Q4 2022. For YE 2023, production and mineral taxes were 1.3% of royalty production revenue compared to 1.1% in YE 2022. 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")

	Three months ended December 31		**Year ended December 31**	
($ millions, except per BOE amounts)	**2023**	**2022**	**2023**	**2022**
Depletion, depreciation and amortization	**37.2**	35.9	**141.3**	145.8
$/BOE(1)	**15.79**	15.06	**15.57**	15.85

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

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 higher in Q4 2023 compared to Q4 2022 primarily due to lower reserve additions in Q4 2023 compared to Q4 2022 and an increased depletable base. DD&A per BOE is lower in YE 2023 compared to YE 2022 primarily due to modestly lower reserves and production partially offset by a higher depletable base. 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)	**2023**	**2022**	**2023**	**2022**
Exploration and evaluation expense	**0.8**	3.7	**6.3**	7.7
$/BOE(1)	**0.34**	1.55	**0.69**	0.84

(1) See "Conversions of Natural Gas to BOE" in this MD&A.

During Q4 2023 and YE 2023, $0.8 million (Q4 2022 - $3.7 million) and $6.3 million (YE 2022 - $7.7 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 $3.9 million in Q4 2023 (Q4 2022 - $4.4 million) has decreased slightly from Q4 2022 primarily as a result of a lower bank debt balance which averaged $212.7 million in the quarter (Q4 2022 - $271.7 million) partially offset by increased interest rates. Finance expense of $17.5 million in YE 2023 (YE 2022 - $18.6 million) has decreased slightly from the prior year comparative period as a result of a lower bank debt balance which averaged $203.9 million (YE 2022 - $432.1 million) partially offset by increased interest rates. The effective interest rate for Q4 2023 and YE 2023 was 6.1% (Q4 2022 - 5.4%) and 6.3% (YE 2022 - 3.6%), respectively.

Income Tax

	Three months ended December 31		Year ended December 31	
($ millions)	**2023**	**2022**	**2023**	**2022**
Current tax expense	**14.4**	20.2	**58.8**	85.6
Deferred tax expense	**5.1**	1.0	**10.3**	12.7
Income tax expense	**19.5**	21.2	**69.1**	98.3

During Q4 2023, the Company recorded a $14.4 million current tax expense (Q4 2022 - $20.2 million) and a deferred tax expense of $5.1 million (Q4 2022 - $1.0 million) as a result of lower taxable income associated with decreased royalty production revenue in Q4 2023. During YE 2023, the Company recorded a $58.8 million (YE 2022 - $85.6 million) current tax expense and a deferred tax expense of $10.3 million (YE 2022 - $12.7 million). The Company's effective tax rate differs from the Company's combined Provincial and Federal statutory tax rate of 23.6% 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.

The approximate tax pool balances available at year end were:

($ millions)	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Canadian oil and gas property expense ("COGPE")	**1,414.1**	1,546.8
Undepreciated capital cost ("UCC")	**1.2**	0.2
Share issue costs	**4.0**	6.0
Total tax pools	**1,419.3**	1,553.0

Net Earnings

Net earnings for Q4 2023 were $67.4 million ($0.28 per share, basic and diluted) as compared to net earnings of $67.3 million ($0.28 per share, basic and diluted) in Q4 2022. Net earnings for Q4 2023 were slightly higher than Q4 2022 as lower royalty production revenue and increased DD&A expense were more than offset by higher other revenue and the positive impacts of lower administrative expense, E&E expense, finance expense and income tax expense.

Net earnings for YE 2023 were $227.6 million ($0.95 per share, basic and diluted) as compared to net earnings of $317.5 million ($1.33 per share, basic and diluted) in YE 2022. Net earnings for YE 2023 were lower than YE 2022 as a result of the decrease in royalty production revenue, as previously described, more than offsetting the increase in other revenue and decreases in administrative expense, DD&A expense, E&E expense, production and mineral taxes, finance expense and income tax expense.

Acquisitions

During Q4 2023, the Company completed acquisitions totaling $22.2 million (Q4 2022 - $6.2 million) consisting of $9.3 million of royalty interests on producing properties recorded in royalty assets (Q4 2022 - $0.1 million cash recovery adjustment to previously acquired royalty interests) and $12.9 million (Q4 2022 - $6.3 million) of royalty interests on non-producing properties and complementary seismic recorded in E&E assets.

During YE 2023, the Company completed acquisitions totaling $58.4 million (YE 2022 - $30.6 million) consisting of $12.4 million (YE 2022 - $13.5 million) of royalty interests on producing properties recorded in royalty assets and $46.0 million (YE 2022 - $17.1 million) of royalty interests on non-producing properties and complementary seismic recorded in E&E assets.

Liquidity and Capital Resources

	Three months ended December 31		Year ended December 31	
($ millions)	**2023**	**2022**	**2023**	**2022**
Net cash from (used in)				
Operating activities	**128.0**	140.7	**318.9**	565.5
Investing activities	**(22.2)**	(6.2)	**(57.9)**	(30.6)
Financing activities	**(105.8)**	(134.5)	**(261.0)**	(534.9)
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 2023 was $128.0 million as compared to $140.7 million for Q4 2022. The decrease was primarily as a result of lower royalty production revenue as previously discussed. Net cash from operating activities for YE 2023 was $318.9 million as compared to $565.5 million for YE 2022. The decrease was primarily as a result of the payment of income taxes payable of $86.5 million which was recorded in accounts payable and accrued liabilities at December 31, 2022, as well as lower royalty production revenue and higher cash administrative expenses as previously discussed. 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 2023 were $111.1 million, a decrease of 7% from $119.5 million in Q4 2022 primarily due to the impacts of lower WTI and AECO benchmark pricing on PrairieSky's royalty production revenue. Funds from operations in YE 2023 were $382.5 million, a decrease of 25% from $507.6 million in YE 2022 primarily due to the impacts of lower WTI and AECO benchmark pricing on PrairieSky's royalty production revenue and higher cash administrative expenses.

Investing Activities

For Q4 2023 and YE 2023, cash used in investing activities was $22.2 million (Q4 2022 - $6.2 million) and $57.9 million (YE 2022 - $30.6 million), respectively, and included royalty and E&E asset acquisitions as outlined in the "Acquisitions" section of this MD&A.

Financing Activities

For Q4 2023, cash used in financing activities was $105.8 million (Q4 2022 - $134.5 million), as a result of dividends paid on common shares of $57.3 million (Q4 2022 - $28.7 million) and repayments of bank debt. For YE 2023, cash used in financing activities was $261.0 million (YE 2022 - $534.9 million), as a result of dividends paid on common shares of $229.2 million (YE 2022 - $107.6 million) and repayments of bank debt.

Since the initial public offering in May 2014 (the "IPO"), PrairieSky has declared $1,561.0 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 2023, the Company generated funds from operations of $382.5 million, declared dividends of $229.2 million, and made royalty acquisitions for cash consideration of $57.9 million. The Company had net debt of $222.1 million at December 31, 2023, down from $315.1 million at December 31, 2022, as funds from operations in excess of dividends paid of $229.2 million and acquisitions of $57.9 million were primarily used to decrease net debt during the year. Long-term bank debt at December 31, 2023, net of unamortized debt issuance costs of $0.5 million, was $188.0 million.

At December 31, 2023, accounts receivable and accrued royalty revenue consisted primarily of accrued revenue related to royalty payments and production and mineral taxes receivable from third-party operators. 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 $11.8 million (December 31, 2022 - $10.6 million) related to the liability for vested cash-settled DSUs for board of director ("Board") members which only become payable when a director is no longer a member of the Board. Working capital also included the dividend payable of $57.3 million (December 31, 2022 - $57.3 million), which was paid on January 15, 2024.

Bank Debt

At December 31, 2023, 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, 2023, $188.5 million was drawn on the Sustainable Credit Facility (December 31, 2022 - $219.2 million). The Sustainable Credit Facility may be extended on an annual basis, subject to lender consent and has a maturity date of February 28, 2025. The effective interest rate for Q4 2023 and YE 2023 was 6.1% (Q4 2022 - 5.4%) and 6.3% (YE 2022 - 3.6%), respectively.

During 2023 and 2022, there were no debt issuance costs incurred. Historically incurred debt issuance costs have been netted against the long-term debt and are amortized over the remaining term. For Q4 2023 and YE 2023, total amortization of debt issuance costs was $0.1 million (Q4 2022 - $0.2 million) and $0.4 million (YE 2022 - $0.7 million), respectively.

The Sustainable Credit Facility includes borrowing options of Canadian prime rate-based advances, U.S. base rate advances, 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 2024 and the full 5 basis points pricing reduction was maintained. The Sustainable Credit Facility is unsecured and does not have a borrowing base restriction.

The Sustainable Credit Facility has three financial covenants, whereby the Company's ratio of adjusted consolidated senior debt to EBITDA for the trailing 12 months will not exceed 3.5:1.0, adjusted consolidated total debt to EBITDA for the trailing 12 months will not exceed 4.0:1.0, and the adjusted consolidated total debt to capitalization ratio will not exceed 55%. EBITDA used in the covenant calculation is net earnings adjusted for non-cash items, interest expense and income taxes. All covenants are calculated as at, and for the 12 months ended December 31, 2023. As at December 31, 2023, the Company was in compliance with all covenants provided for in the lending agreement and expects 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, 2023:

Covenant description(1)	Ratio	December 31, 2023
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.41
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.41
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	6%

(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. Dividends declared were $57.3 million or $0.24 per share for Q4 2023 and $229.2 million or $0.96 per share for YE 2023.

Since inception in 2014, PrairieSky has declared a total of $1,561.0 million ($7.40 per share) in dividends to our shareholders.

($ millions, except per share data)	Three months ended December 31		Year ended December 31	
Accumulated dividends	**2023**	**2022**	**2023**	**2022**
Accumulated, beginning of period	**1,503.7**	1,274.5	**1,331.8**	1,188.5
Dividends declared	**57.3**	57.3	**229.2**	143.3
Accumulated, end of period	**1,561.0**	1,331.8	**1,561.0**	1,331.8
Dividends per share				
Accumulated, beginning of period	**7.16**	6.20	**6.44**	5.84
Dividends declared	**0.24**	0.24	**0.96**	0.60
Accumulated, end of period	**7.40**	6.44	**7.40**	6.44

During Q4 2023 and YE 2023, PrairieSky's dividend payout ratio was 52% (Q4 2022 - 48%) and 60%(YE 2022 - 28%), respectively, with excess funds from operations being used primarily to fund acquisitions of $57.9 million and to decrease net debt.

	Three months ended December 31		Year ended December 31	
($ millions, except otherwise noted)	**2023**	**2022**	**2023**	**2022**
Funds from operations	**111.1**	119.5	**382.5**	507.6
Dividends declared	**57.3**	57.3	**229.2**	143.3
Dividend payout ratio(1)	**52%**	48%	**60%**	28%

(1) Dividend payout ratio is defined under the Non-GAAP Measures and Ratios section in this MD&A

With strong leasing and drilling activity, growth in oil royalty production and net debt decreasing, the Board has determined to increase the quarterly dividend 4% to $0.25 per common share ($1.00 per common share annualized) effective for the March 29, 2024 record date.

The Board 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 market volatility, including commodity price volatility. 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, 2023 and February 12, 2024, PrairieSky had 239.0 million common shares outstanding (December 31, 2022 - 238.9 million). As at December 31, 2023 and February 12, 2024, there were no stock options outstanding (December 31, 2022 - 0.4 million with a weighted average exercise price of $26.62).

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, 2023 of 7% (December 31, 2022 - 10%) which reflects its manageable debt levels and lower financial risk.

($ millions)	**As at December 31, 2023**	**As at December 31, 2022**
Shareholders' equity	**2,766.4**	2,768.3
Long-term bank debt	**188.0**	218.3
Working capital deficiency	**34.1**	96.8
Net debt	**222.1**	315.1
Capitalization	**2,988.5**	3,083.4
Net debt to capitalization	**7%**	10%

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 taxes, 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 30, 2023 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 16,624,000 common shares over a twelve-month period which commenced on June 1, 2023 and expires no later than May 31, 2024. 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 forecasted funds from operations, the annual dividend and the level of bank debt.

There were no common shares repurchased in YE 2023 or in YE 2022.

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 2023 and YE 2023, a 1% change (plus or minus) in the interest rate would have resulted in a corresponding change to net earnings before taxes of $0.5 million and $2.4 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, 2023, 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, 2023, the Company had net debt of $222.1 million, a decrease of 30% from $315.1 million at December 31, 2022 as YE 2023 funds from operations in excess of dividends paid of $229.2 million and acquisitions of $57.9 million were primarily used to decrease net 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, 2023, the Company has unused capacity under its Sustainable Credit Facility of up to

$536.5 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 $34.6 million, income taxes payable of $4.5 million and the dividend payable of $57.3 million is less than one year. In addition, accounts payable and accrued liabilities includes $11.8 million related to vested cash-settled DSUs held by Board members which only become 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 impact of geopolitical factors;
- 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 seasonal weather impacts, and/or marketing risks, including take-in-kind production volumes, resulting in delivery interruptions, delays, lower realized pricing and/or unanticipated production declines;
- The effects of inclement and severe weather events and natural disasters, including fire, drought and flooding on third-party operations;
- Changes in government regulations, including mandated production curtailments, taxation, environmental and Crown royalty rates;
- Changing environmental laws in relation to the operations conducted on the Royalty Properties;
- 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 with applicable regulations.

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 and natural disasters, including fire, drought and flooding. 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 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 environmental, social and governance and climate reporting, the International Sustainability Standards Board ("ISSB") has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. On June

26, 2023 the ISSB released two standards: IFRS S1 - *General Requirements for Disclosure of Sustainability-related Financial Information*; and IFRS S2 - *Climate-related Disclosures*. The Canadian Sustainability Standards Board ("CSSB") has been formed to support the adoption of international sustainability standards in Canada, which will include decisions about adoption and effective dates of IFRS S1 and IFRS S2 in Canada. 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 and it is possible that the long-term effects of these new regulations will affect the Company's business, results from operations, access to capital and financial condition.

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 12, 2024 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 12, 2024, which is available under PrairieSky's SEDAR+ profile at www.sedarplus.ca and at www.prairiesky.com.

Accounting Judgements, Estimates and Accounting Policies

Accounting Judgements and Estimates

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

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

Material 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

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

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 2023, 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 material 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, 2023 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, 2023, 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.

Judgement 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 judgements 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 judgements and estimates. Judgements 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 Company's share unit award incentive plan. An estimate is made for certain PSU grants that are subject to a multiple performance criteria methodology at the discretion of the Board. 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.

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 judgement. 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, 2023.

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, 2023 to December 31, 2023 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, 2023 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, 2023, PrairieSky maintained effective ICFR as defined in Canada by NI 52-109.

Selected Annual Information

(millions, except per share)	**2023**	2022	2021
Revenues	**513.2**	643.3	308.0
Net earnings and comprehensive income	**227.6**	317.5	123.3
Per share - basic and diluted	**0.95**	1.33	0.55
Total assets	**3,307.7**	3,415.4	3,510.4
Long-term financial liabilities	**201.5**	236.4	650.9
Dividends declared	**229.2**	143.3	70.5
Per share	**0.9600**	0.6000	0.3100

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. Benchmark commodity pricing improved through 2021 and 2022 positively impacting royalty production revenue and net earnings in these years. Benchmark commodity pricing declined in 2023, negatively impacting royalty production revenue. Net earnings have fluctuated primarily due to the changes in revenues as discussed above. Total assets increased in 2021 as the Company completed $987.1 million in asset acquisitions. Long-term liabilities increased in 2021 as bank debt was used to finance acquisitions during the year and declined in 2022 and 2023 as funds from operations after payment of the dividend 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 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
FINANCIAL								
Revenue								
Crude oil	**98.4**	102.8	89.6	83.8	98.9	107.6	135.6	98.7
NGL	**11.4**	13.0	7.9	11.2	13.5	14.2	17.8	13.1
Natural gas	**12.2**	11.6	10.9	21.8	32.4	24.2	36.8	22.9
Royalty production revenue	**122.0**	127.4	108.4	116.8	144.8	146.0	190.2	134.7
Other revenue	**14.6**	5.7	9.0	9.3	5.8	8.7	7.9	5.2
Total revenues	**136.6**	133.1	117.4	126.1	150.6	154.7	198.1	139.9
Funds from operations	**111.1**	93.8	91.3	86.3	119.5	123.5	159.6	105.0
Per share - basic and diluted(1)	**0.46**	0.39	0.38	0.36	0.50	0.52	0.67	0.44
Net earnings	**67.4**	55.4	48.0	56.8	67.3	76.2	110.1	63.9
Per share - basic and diluted(1)	**0.28**	0.23	0.20	0.24	0.28	0.32	0.46	0.27
Dividends declared(2)	**57.3**	57.3	57.3	57.3	57.3	28.7	28.7	28.7
Per share	**0.24**	0.24	0.24	0.24	0.24	0.12	0.12	0.12
Dividend payout ratio(3)	**52%**	61%	63%	66%	48%	23%	18%	27%
Net debt(4)	**222.1**	253.7	275.9	292.4	315.1	364.2	453.9	568.9
OPERATIONAL								
Production Volumes								
Crude oil (bbls/d)	**12,844**	12,084	12,607	12,212	12,166	11,376	12,220	11,188
NGL (bbls/d)	**2,697**	2,702	1,943	2,664	2,681	2,660	2,772	2,621
Natural gas (MMcf/d)	**60.4**	64.1	53.8	59.6	66.4	65.7	66.0	60.5
Total (BOE/d)(5)	**25,608**	25,469	23,517	24,809	25,914	24,986	25,992	23,892
Realized Pricing								
Crude oil	**83.27**	92.53	78.05	76.25	88.36	102.80	122.01	97.99
NGL	**46.07**	52.01	44.77	46.71	54.56	58.02	70.25	55.66
Natural gas	**2.19**	1.97	2.23	4.05	5.30	4.00	6.14	4.20
Total ($/BOE)(5)	**51.78**	54.37	50.65	52.31	60.74	63.51	80.44	62.64
Benchmark Pricing								
West Texas intermediate (US$/bbl)	**78.32**	82.32	73.99	76.13	82.64	91.68	108.57	94.29
Edmonton light sweet ($/bbl)	**99.72**	107.87	95.32	99.04	110.04	116.88	138.18	115.66
AECO monthly index ($/Mcf)	**2.66**	2.39	2.35	4.34	5.58	5.81	6.27	4.59
AECO daily index ($/Mcf)	**2.30**	2.60	2.45	3.22	5.11	4.08	7.24	4.74
Foreign exchange rate (US$/CAD$)	**0.7343**	0.7466	0.7454	0.7397	0.7365	0.7662	0.7820	0.7842

(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 5, 2023. The dividend was paid on January 15, 2024 to shareholders of record on December 29, 2023.
(3) Dividend payout ratio is defined under the "Non-GAAP Measures and Ratios" section in this MD&A.
(4) See Note 15 "Capital Management" in the financial statements and the section "Capital Management" in this MD&A.
(5) See "Conversions of Natural Gas to BOE" contained in this MD&A.

- 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 earned on entering into new leasing arrangements.
- 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 improved through 2022 and most significantly in Q2 2022. WTI pricing has weakened in 2023 relative to 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, including pipeline maintenance, may further impact natural gas prices. Natural gas benchmark pricing improved through the first half of 2022 and weakened in the second half of 2022 extending into 2023 due to the variables discussed above.
- Royalty production volumes can be influenced by various factors, including the extent of exploration and development activity by third parties on the Royalty Properties, operational downtime and transportation constraints, the timing and amount of capital expenditures, the expertise and financial resources of third-party lessees, acquisitions of producing properties, weather and natural declines. In Q2 2023, royalty production volumes were negatively impacted by operational downtime as a result of widespread Alberta wildfires and a compliance adjustment related to a royalty overpayment.
- 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. In Q4 2023, the Company earned its highest quarterly bonus consideration revenue since 2017.
- 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 after considering forecasted funds from operations. 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).
- The Company has declared $372.6 million in dividends to shareholders over the past eight quarters.
- Net debt has decreased $412.9 million or 65% since December 31, 2021 as funds from operations, after paying the dividend have been used primarily to repay bank debt incurred on the acquisition of royalty properties from Heritage Royalty. 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, cash administrative expenses per BOE and payout ratio. Non-GAAP measures should not be considered an alternative to or more meaningful than the most directly comparable financial measure of each such non-GAAP measure described below. 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 (defined below). 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. The table below reconciles cash from operating activities to operating netback on a total dollar basis.

"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 royalty 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.

	Three months ended December 31		Year ended December 31	
($ millions)	**2023**	**2022**	**2023**	**2022**
Cash from operating activities	**128.0**	140.7	**318.9**	565.5
Other revenue	**(14.6)**	(5.8)	**(38.6)**	(27.6)
Non-cash revenue	**-**	-	**0.5**	0.2
Amortization of debt issuance costs	**(0.1)**	(0.2)	**(0.4)**	(0.7)
Finance expense	**3.9**	4.4	**17.5**	18.6
Current tax expense	**14.4**	20.2	**58.8**	85.6
Interest on lease obligation	**-**	(0.1)	**-**	(0.1)
Net change in non-cash working capital	**(16.9)**	(21.2)	**63.6**	(57.9)
Operating netback	**114.7**	138.0	**420.3**	583.6

"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. A summary of the reconciliation from royalty production revenue to operating margin is outlined below:

	Three months ended December 31		Year ended December 31	
($ millions)	**2023**	**2022**	**2023**	**2022**
Royalty production revenue	**122.0**	144.8	**474.6**	615.7
Operating netback	**114.7**	138.0	**420.3**	583.6
Operating margin	**94%**	95%	**89%**	95%

"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.

The following table reconciles total administrative expenses to cash administrative expenses:

	Three months ended December 31		Year ended December 31	
($ millions)	**2023**	**2022**	**2023**	**2022**
Total administrative expenses	**6.1**	16.4	**45.0**	48.8
Share-based compensation expense	**(0.5)**	(11.3)	**(20.9)**	(28.3)
Cash payments made - share unit plans	**-**	-	**23.8**	5.0
Total cash administrative expenses	**5.6**	5.1	**47.9**	25.5

"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 sold for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis between periods.

"Payout Ratio" is calculated as dividends declared as a percentage of funds from operations. Payout ratio is used by dividend paying companies to assess dividend levels in relation to the funds generated and used in operating activities.

	Three months ended December 31		Year ended December 31	
($ millions, except otherwise noted)	2023	2022	2023	2022
Funds from operations	**111.1**	119.5	**382.5**	507.6
Dividends declared	**57.3**	57.3	**229.2**	143.3
Payout ratio	**52%**	48%	**60%**	28%

Advisory

FORWARD-LOOKING STATEMENTS

This MD&A includes certain statements regarding PrairieSky's future plans and operations as at February 12, 2024 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 macroeconomic events on future commodity prices, royalty production volumes, revenues and cash flow;
- 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 2024;
- PrairieSky's dividend policy and its intention to focus on creating value for shareholders by 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;
- The expectation that PrairieSky will declare a quarterly dividend of $0.25 per common share for shareholders of record on March 29, 2024;
- PrairieSky's NCIB and specifically the volume and value of future repurchases under the current NCIB or future NCIBs 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;
- PrairieSky's plan to not enter into any commodity price hedges;
- The impact of compliance activities and recoveries, which vary quarterly;
- The possibility that the long-term effects of complying with sustainability disclosure standards will affect the Company's business, results of operations, access to capital and financial condition;
- 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 indirect impact to the Company as third-party operators review and adjust their capital programs to respond to incremental costs, or as inflationary pressures impact the economic returns achievable on certain projects;
- The ability to mitigate the risks of fluctuations in commodity prices and production volumes;

- 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, 2023, 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 petroleum and natural gas on 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, 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, 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 a royalty interest in crude oil and natural gas properties; future crude oil, natural gas and NGL prices, future pricing for other leased products, and currency exchange and interest rates; the effects of global political unrest, on global crude oil and natural gas supply and pricing; PrairieSky's ability to execute the volume and/or value of purchases as described under the NCIB or future NCIBs, if approved by the TSX.

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 judgements 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 audited annual 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 2023 audited annual consolidated financial statements and notes thereto, and PrairieSky's Annual Information Form, is available on SEDAR+ at www.sedarplus.ca or PrairieSky's website at www.prairiesky.com.