



INTERIM CONDENSED

# CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED  
MARCH 31, 2024 AND 2023

**HIGH MARGINS**  
**ZERO CAPITAL**  
**CARBON NEUTRAL**

TSX | PSK





## Condensed Consolidated Statements of Financial Position (unaudited)

(\$ millions)	Notes	As at March 31, 2024	As at December 31, 2023
<b>Assets</b>			
Current assets			
Accounts receivable and accrued royalty revenue	4, 15	\$ 98.4	\$ 61.6
Prepays		0.3	0.7
		98.7	62.3
Royalty assets, net	5	1,002.7	1,012.4
Exploration and evaluation assets	6	1,583.8	1,602.0
Goodwill		631.0	631.0
<b>Total Assets</b>		<b>\$ 3,316.2</b>	<b>\$ 3,307.7</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Current portion of bank debt	7, 15	174.6	-
Accounts payable and accrued liabilities	8	71.2	34.6
Income tax payable	13	1.5	4.5
Dividend payable	9	59.7	57.3
		307.0	96.4
Bank debt	7, 15	-	188.0
Lease obligation		1.3	-
Share-based compensation payable	10	10.2	13.5
Deferred income taxes	13	243.5	243.4
<b>Total Liabilities</b>		<b>562.0</b>	<b>541.3</b>
<b>Shareholders' Equity</b>			
Shareholders' capital	9	3,404.2	3,404.2
Paid in surplus		6.0	6.0
Deficit		(656.0)	(643.8)
<b>Total Shareholders' Equity</b>		<b>2,754.2</b>	<b>2,766.4</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 3,316.2</b>	<b>\$ 3,307.7</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Earnings and Comprehensive Income (unaudited)

(\$ millions, except per share amounts)	Notes	Three months ended March 31	
		2024	2023
<b>Revenues</b>			
Royalty production revenue	11	\$ 113.2	\$ 116.8
Other revenue	11	7.5	9.3
Revenues		120.7	126.1
<b>Expenses</b>			
Administrative	12	15.4	10.9
Production and mineral taxes		1.3	1.8
Depletion, depreciation and amortization	5	37.6	34.0
Exploration and evaluation	6	0.4	0.5
Earnings before finance items and income taxes		66.0	78.9
<b>Finance Items</b>			
Finance expense		3.7	4.5
Earnings before income taxes		62.3	74.4
Income tax expense	13	14.8	17.6
<b>Net Earnings and Comprehensive Income</b>		<b>\$ 47.5</b>	<b>\$ 56.8</b>
<b>Net Earnings per Common Share</b>			
Basic and diluted	9	\$ 0.20	\$ 0.24

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
<b>Balance at December 31, 2023</b>		\$ 3,404.2	\$ 6.0	\$ (643.8)	\$ 2,766.4
Net earnings		-	-	47.5	47.5
Dividends on common shares	9	-	-	(59.7)	(59.7)
<b>Balance at March 31, 2024</b>		\$ 3,404.2	\$ 6.0	\$ (656.0)	\$ 2,754.2

(\$ millions)	Notes	Shareholders' Capital	Paid In Surplus	Deficit	Total Shareholders' Equity
<b>Balance at December 31, 2022</b>		\$ 3,404.2	\$ 6.3	\$ (642.2)	\$ 2,768.3
Net earnings		-	-	56.8	56.8
Dividends on common shares	9	-	-	(57.3)	(57.3)
<b>Balance at March 31, 2023</b>		\$ 3,404.2	\$ 6.3	\$ (642.7)	\$ 2,767.8

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## Condensed Consolidated Statements of Cash Flows (unaudited)

(\$ millions)	Notes	Three months ended March 31	
		2024	2023
<b>Operating Activities</b>			
Net earnings		\$ 47.5	\$ 56.8
Depletion, depreciation and amortization	5	37.6	34.0
Exploration and evaluation	6	0.4	0.5
Deferred tax expense	13	0.1	1.1
Share-based compensation, net of cash settlements	10	(2.7)	(6.3)
Amortization of debt issuance costs	7	0.1	0.2
Funds from operations		83.0	86.3
Net change in non-cash working capital	16	(3.3)	(69.1)
<b>Cash From Operating Activities</b>		<b>79.7</b>	<b>17.2</b>
<b>Investing Activities</b>			
Royalty asset acquisitions	5	(0.6)	-
Exploration and evaluation acquisitions	6	(8.2)	(5.4)
<b>Cash Used in Investing Activities</b>		<b>(8.8)</b>	<b>(5.4)</b>
<b>Financing Activities</b>			
Bank debt draws (repayments)	7	(13.5)	45.7
Dividends paid on common shares	9	(57.3)	(57.3)
Payments on lease obligation		(0.1)	(0.2)
<b>Cash Used in Financing Activities</b>		<b>(70.9)</b>	<b>(11.8)</b>
<b>Change in Cash and Cash Equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>		<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents, End of Period</b>		<b>\$ -</b>	<b>\$ -</b>
The following are included in cash flow from operating activities:			
Income taxes paid in cash		\$ 17.7	\$ 104.2
Interest paid in cash		3.6	4.4

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



## NOTES TO THE MARCH 31, 2024 AND 2023 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(TABULAR AMOUNTS IN \$ MILLIONS UNLESS NOTED OTHERWISE)

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### 1. Nature of Operations

PrairieSky Royalty Ltd. ("PrairieSky" or the "Company") has a geologically and geographically diverse portfolio of fee simple mineral title ("Fee Lands"), lessor interests in and to leases that are currently issued in respect of certain Fee Lands ("Lessor Interests"), crude oil and natural gas overriding royalty interests, gross overriding royalty interests, net profit interests and production payments on lands (collectively, "GORR Interests") and other acreage spanning Alberta, Saskatchewan, British Columbia and Manitoba (collectively, the "Royalty Properties"). The Company is focused on encouraging third parties to actively develop the Royalty Properties, while strategically seeking additional petroleum and natural gas royalty assets that provide the Company with medium-term to long-term value enhancement potential. The Company does not directly conduct operations to explore for, develop or produce petroleum or natural gas; rather, third-party development of the titled Royalty Properties provides the Company with royalty revenue as petroleum and natural gas are produced from such properties.

The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") under the stock symbol "PSK". The location of the head and registered office of the Company is Suite 1700, 350 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9.

### 2. Basis of Presentation

#### A) STATEMENT OF COMPLIANCE

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These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2023. They do not include all of the information required for a complete set of IFRS financial statements; however, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company's financial position and performance since the last annual financial statements.

These financial statements have been prepared on a historical cost basis, except for share-based payment transactions. The financial statements have been prepared on a going concern basis and amounts are in millions of Canadian dollars unless otherwise stated.

These financial statements were approved and authorized for issuance by the Company's Audit Committee on April 22, 2024.

#### B) ESTIMATES

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The timely preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities as at the date of the financial statements. Such estimates primarily relate to fair value estimates and unsettled transactions and events as at the date of the financial statements and accordingly, actual results could differ from the estimates.

In preparing these financial statements, the judgments made by management in applying the Company's accounting policies and the key sources of significant estimation uncertainty were the same as those applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2023.



### 3. New and Amended Standards and Interpretations

#### AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The Company adopted amendments to IAS 1 *Presentation of Financial Statements* on January 1, 2024. IAS 1 was amended to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That the right to defer settlement must exist at the end of the reporting period; and
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Company's interim condensed consolidated financial statements.

### 4. Accounts Receivable and Accrued Royalty Revenue

	As at March 31, 2024	As at December 31, 2023
Trade receivables and accrued royalty revenue	66.5	61.6
Production and mineral taxes receivable	31.9	-
	98.4	61.6

Trade receivables and accrued royalty revenue relate to lease and royalty production payments receivable. Production and mineral taxes are billed annually in March for the province of Alberta and are recorded in accounts payable (refer to Note 8). The amount to be recovered from third-party lessees is recorded in accounts receivable.

In determining the recoverability of trade receivables that are past due but not impaired, the Company considers the age of the outstanding receivables and the credit worthiness of the counterparties (refer to Note 15). Of the Company's outstanding receivables at March 31, 2024, none are aged over 90 days (December 31, 2023 - \$nil) and the Company is satisfied its accounts receivable amounts are collectible.



## 5. Royalty Assets, Net

(\$ millions)	Notes	
<b>Cost</b>		
Balance, December 31, 2022		2,067.0
Asset acquisitions		12.4
Transfers from exploration & evaluation assets	6	139.8
Balance, December 31, 2023		2,219.2
Asset acquisitions		0.6
Transfers from exploration & evaluation assets	6	26.0
Increase in right-of-use asset		1.3
<b>Balance, March 31, 2024</b>		<b>2,247.1</b>
<b>Accumulated Depletion, Depreciation and Amortization</b>		
Balance, December 31, 2022		(1,065.5)
Depletion, depreciation and amortization		(141.3)
Balance, December 31, 2023		(1,206.8)
Depletion, depreciation and amortization		(37.6)
<b>Balance, March 31, 2024</b>		<b>(1,244.4)</b>
<b>Carrying Amounts</b>		
Balance, December 31, 2023		1,012.4
<b>Balance, March 31, 2024</b>		<b>1,002.7</b>

For the three months ended March 31, 2024, royalty assets acquired totaled \$0.6 million and included producing GORR Interests (March 31, 2023 - \$nil). During the three months ended March 31, 2024, the Company commenced a new lease for head office space in Calgary. The Company recorded a right-of-use asset and corresponding lease liability for \$1.3 million. The right-of-use asset will be amortized over the term of the lease of 11 years.

## 6. Exploration and Evaluation ("E&E") Assets

(\$ millions)	Notes	
Balance, December 31, 2022		1,702.1
Asset acquisitions		46.0
Transfers to royalty assets	5	(139.8)
Land expiries		(6.3)
Balance, December 31, 2023		1,602.0
Asset acquisitions		8.2
Transfers to royalty assets	5	(26.0)
Land expiries		(0.4)
<b>Balance, March 31, 2024</b>		<b>1,583.8</b>

For the three months ended March 31, 2024, E&E assets acquired totaled \$8.2 million (March 31, 2023 - \$5.4 million) comprised of GORR Interests on non-producing assets and complementary seismic (March 31, 2023 - GORR Interests on non-producing assets).

For the three months ended March 31, 2024, \$0.4 million (March 31, 2023 - \$0.5 million) of costs associated with expired Crown mineral leases and GORR Interests were recognized as exploration and evaluation expense. The expense will vary period to period as a result of the timing of lease expiries, if any.



## 7. Bank Debt

(\$ millions)	As at March 31, 2024	As at December 31, 2023
Borrowings under credit facilities	175.0	188.5
Unamortized debt issuance costs	(0.4)	(0.5)
<b>Bank debt</b>	<b>174.6</b>	<b>188.0</b>

At March 31, 2024, 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 March 31, 2024, \$175.0 million was drawn on the Sustainable Credit Facility (December 31, 2023 - \$188.5 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 and as such, has been classified as current. Management intends to review the Sustainable Credit Facility with its syndicate prior to maturity. The effective interest rate for the three months ended March 31, 2024 was 6.4% (March 31, 2023 - 6.5%).

During the three months ended March 31, 2024 and March 31, 2023, there were no debt issuance costs incurred. Historically incurred debt issuance costs have been netted against the long-term debt and are being amortized over the remaining term. For the three months ended March 31, 2024, total amortization of debt issuance costs was \$0.1 million (March 31, 2023 - \$0.2 million).

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 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 March 31, 2024. As at March 31, 2024, the Company was in compliance with all covenants provided for in the lending agreement and forecasts compliance with all covenants until maturity.

The following table provides a list of the key financial covenants as at March 31, 2024:

Covenant description <sup>(1)</sup>	Ratio	March 31, 2024
Adjusted Consolidated Senior Debt to EBITDA	Maximum 3.5:1	0.39
Adjusted Consolidated Total Debt to EBITDA	Maximum 4.0:1	0.39
Adjusted Consolidated Total Debt to Capitalization	Maximum 55%	6%

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



## 8. Accounts Payable and Accrued Liabilities

(\$ millions)	Notes	As at March 31, 2024	As at December 31, 2023
Trade payables		1.9	2.6
Production and mineral taxes payable		37.9	4.6
Accrued liabilities for cash settled share-based compensation	10	23.7	23.1
Current portion of lease obligation		-	0.1
Other accrued liabilities		7.7	4.2
<b>Accounts payable and accrued liabilities</b>		<b>71.2</b>	<b>34.6</b>

Production and mineral taxes are billed annually in March for the province of Alberta and the gross amount is recorded in accounts payable. Amounts recoverable from third-party lessees are recorded in accounts receivable (refer to Note 4).

## 9. Share Capital

### AUTHORIZED

The authorized share capital of the Company includes an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The holders of the common shares are entitled to one vote in respect of each common share held at all meetings of shareholders, except meetings at which only holders of a specified class of share have the right to vote. The common shares have no par value.

### ISSUED AND OUTSTANDING

	Three months ended March 31, 2024		Year ended December 31, 2023	
	Number of Shares (millions)	Amount (\$ millions)	Number of Shares (millions)	Amount (\$ millions)
Common shares outstanding, beginning of period	239.0	3,404.2	238.9	3,404.2
Issued pursuant to stock option plan	-	-	0.1	-
<b>Common shares outstanding, end of period</b>	<b>239.0</b>	<b>3,404.2</b>	<b>239.0</b>	<b>3,404.2</b>

### NORMAL COURSE ISSUER BID ("NCIB")

On May 30, 2023, the Company announced the approval of the renewal of its NCIB by the TSX. The NCIB allows the Company to purchase for cancellation up to a maximum of 16,624,000 common shares over a twelve-month period which commenced on June 1, 2023 and expires no later than May 31, 2024.

The Company did not purchase any common shares under the NCIB during the three months ended March 31, 2024 or during the three months ended March 31, 2023 under the Company's previous NCIB.

### DIVIDENDS

During the three months ended March 31, 2024, PrairieSky declared dividends of \$59.7 million (March 31, 2023 - \$57.3 million) or \$0.25 per common share (March 31, 2023 - \$0.24 per common share) and paid dividends of \$57.3 million (March 31, 2023 - \$57.3 million).

On March 11, 2024, the board of directors ("Board") declared a quarterly dividend of \$0.25 per common share or \$59.7 million payable on April 15, 2024 to common shareholders of record on March 28, 2024.



## NET EARNINGS PER COMMON SHARE

The following table presents the computation of net earnings per common share:

(\$ millions, except per share or as otherwise noted)	Three months ended March 31	
	2024	2023
Net earnings	47.5	56.8
Number of common shares:		
Weighted average common shares outstanding - basic	239.0	238.9
Effect of dilutive securities	-	-
Weighted average common shares outstanding - diluted	239.0	238.9
Net earnings per common share - basic and diluted	0.20	0.24

## 10. Share-based Compensation Plans

The Company has a number of share-based compensation arrangements under which the Company awards various types of long-term incentive grants to eligible employees, officers and directors. They include stock options, performance share units ("PSUs"), restricted share units ("RSUs"), officer deferred share units ("ODSUs") and deferred share units ("DSUs").

The Company accounts for stock options granted to Company employees and officers as equity-settled share-based payment transactions and accrues compensation costs over the vesting period based on the fair values determined at the grant date. There were no stock options outstanding at March 31, 2024 or December 31, 2023.

The Company accounts for its PSUs, RSUs, ODSUs and DSUs, held by Company employees, officers and directors as cash-settled share-based payment transactions and accrues compensation costs and dividends over the vesting period based on the fair value at each reporting date.

The Company has recognized the following share-based compensation costs:

(\$ millions)	Three months ended March 31	
	2024	2023
PSU expense	3.7	2.6
RSU expense	0.6	0.4
ODSU expense	1.3	0.4
DSU expense	3.1	1.2
<b>Share-based compensation expense</b>	<b>8.7</b>	<b>4.6</b>

The Company has recognized the following liability for cash-settled share-based payment transactions:

(\$ millions)	As at	As at
	March 31, 2024	December 31, 2023
Liability for unvested cash-settled plans	14.3	22.3
Liability for vested cash-settled plans	19.6	14.3
<b>Liability for cash-settled plans</b>	<b>33.9</b>	<b>36.6</b>

(\$ millions)	Notes	As at	As at
		March 31, 2024	December 31, 2023
Current portion	8	23.7	23.1
Non-current portion		10.2	13.5
<b>Liability for cash-settled plans</b>		<b>33.9</b>	<b>36.6</b>



The liability for vested cash-settled DSUs held by non-executive directors of \$14.9 million (December 31, 2023 - \$11.8 million) included in accounts payable and accrued liabilities only becomes payable when a director is no longer a member of the Board.

The market common share price used for all cash-settled fair value calculations at March 31, 2024 was \$26.53 (March 31, 2023 - \$21.40).

## A) PERFORMANCE SHARE UNITS

PSUs granted to officers and eligible employees entitle the grantee to receive upon vesting a cash payment that is equal to the value of one common share of the Company for each PSU held, plus accrued dividends over the period from the date of grant to vesting and may only be settled with a cash payment, and not common shares, equal to the five-day weighted average trading price for the common shares multiplied by the number of vested PSUs. PSUs vest following the completion of a three-year performance period provided the grantee remains actively employed with the Company on the vesting date and certain performance criteria are met.

The ultimate value of the PSUs will depend upon the Company's performance relative to predetermined corresponding performance targets measured over a three-year period. The Board has adopted a multiple performance criteria methodology, including the Company's TSR, for measuring the payout multiplier upon vesting of the PSUs. TSR is defined as share price appreciation plus dividends, relative to the TSR for a predetermined performance peer group. Based on this assessment, a range of zero to two times the original PSU grant, at the discretion of the Board, may be eligible to vest in respect of the three-year trailing period being measured.

The following table summarizes information related to the PSUs:

<i>Outstanding PSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	966.7
Granted	222.6
Units, in lieu of dividends	31.7
Vested	(499.3)
Forfeited	(70.6)
Issued and outstanding, December 31, 2023	651.1
Granted	<b>174.0</b>
Units, in lieu of dividends	<b>5.3</b>
Vested	<b>(267.0)</b>
<b>Issued and outstanding, March 31, 2024</b>	<b>563.4</b>

For the three months ended March 31, 2024, the Company recorded compensation expense of \$3.7 million (March 31, 2023 - \$2.6 million) related to PSUs. At March 31, 2024, the remaining weighted average life of outstanding PSUs is 1.7 years.

During the three months ended March 31, 2024, the cash payout related to vested PSUs was \$9.8 million (March 31, 2023 - \$9.6 million) comprised of 267,000 units, inclusive of dividend entitlements.

## B) RESTRICTED SHARE UNITS

RSUs granted to eligible employees and officers entitle the grantee to receive upon vesting a cash payment that is equal to the value of one common share for each RSU held, plus accrued dividends over the period from the date of grant to vesting and may only be settled with a cash payment, and not common shares, equal to the five-day weighted average trading price for the common shares multiplied by the number of vested RSUs. RSUs vest evenly over a three-year period provided the grantee remains actively employed with the Company on the vesting date.



The following table summarizes information related to the RSUs:

<i>Outstanding RSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	129.6
Granted	76.6
Units, in lieu of dividends	5.0
Vested	(61.1)
Forfeited	(13.5)
Issued and outstanding, December 31, 2023	136.6
Granted	75.7
Units, in lieu of dividends	1.4
Vested	(67.0)
Forfeited	(0.9)
<b>Issued and outstanding, March 31, 2024</b>	<b>145.8</b>

For the three months ended March 31, 2024, the Company recorded compensation expense of \$0.6 million (March 31, 2023 - \$0.4 million) related to RSUs. At March 31, 2024, the remaining weighted average life of outstanding RSUs is 1.4 years.

During the three months ended March 31, 2024, the cash payout related to vested RSUs was \$1.6 million (March 31, 2023 - \$1.3 million), comprised of 67,000 units, inclusive of dividend entitlements.

### C) OFFICER DEFERRED SHARE UNITS

ODSUs have been granted to officers of the Company and entitle the officer to receive, upon departure from the Company, a cash payment that is equal to the value of one common share for each vested ODSU held, adjusted to account for reinvested dividends over the period from the date of grant to the date vested ODSUs are redeemed, which must be within 15 business days of the officer's departure from the Company. The cash payment to the officer is to be paid, at the Company's discretion, no later than December 31 of the first calendar year commencing after the date of the officer's departure.

ODSUs are settled in a cash payment equal to the closing price per common share immediately prior to the the redemption date, multiplied by the number of settled ODSUs, as further described below. ODSUs vest evenly over a three-year period, provided the officer remains actively employed with the Company on the vesting date. ODSUs are not paid and/or settled until such time as the officer ceases to be an employee of the Company.

The following table summarizes information related to the ODSUs:

<i>Outstanding ODSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	278.0
Granted	96.7
Units, in lieu of dividends	12.1
Redeemed	(116.3)
Issued and outstanding, December 31, 2023	270.5
Granted	56.4
Units, in lieu of dividends	3.1
<b>Issued and outstanding, March 31, 2024</b>	<b>330.0</b>

For the three months ended March 31, 2024, the Company recorded compensation expense of \$1.3 million (March 31, 2023 - \$0.4 million) related to ODSUs. At March 31, 2024, the remaining weighted average life of outstanding ODSUs is 0.5 years.



## D) DEFERRED SHARE UNITS

Directors receive an annual compensation amount in DSUs and have the option to receive Board and Committee retainers and fees in the form of DSUs, which vest immediately. These DSUs are equivalent to a common share adjusted to account for reinvested dividends over the period from date of grant and vesting to the date of redemption and are settled in cash. DSUs can only be redeemed following departure from the Company and must be redeemed prior to December 15<sup>th</sup> of the year following departure. For the three months ended March 31, 2024, the majority of the directors elected to receive their annual Board and Committee retainers and fees in the form of DSUs.

DSUs are settled in a cash payment equal to the closing price per common share immediately prior to the the redemption date, multiplied by the number of settled DSUs, as further described below. DSUs are fully vested as of the grant date. DSUs are not paid and/or settled until after such time as the director ceases to be a director of the Company.

The following table summarizes information related to the DSUs:

<i>Outstanding DSUs (thousands of units)</i>	
Issued and outstanding, December 31, 2022	487.3
Granted	64.2
Units, in lieu of dividends	20.3
Redeemed	(65.4)
Issued and outstanding, December 31, 2023	506.4
Granted	<b>49.7</b>
Units, in lieu of dividends	<b>5.2</b>
<b>Issued and outstanding, March 31, 2024</b>	<b>561.3</b>

For the three months ended March 31, 2024, the Company recorded compensation expense of \$3.1 million (March 31, 2023 - \$1.2 million) related to DSUs.

## 11. Revenues

The Company's royalty production revenue is determined pursuant to the terms of its royalty agreements. The transaction price for crude oil, NGL and natural gas is based on the commodity price in the month of production, adjusted for quality, location, allowable deductions, if any, or other factors. Commodity prices are based on market indices that are determined on a monthly or daily basis.

Royalty production revenue is generally received two months after the crude oil, NGL, and natural gas are produced. For royalty production volumes taken-in-kind, revenue is typically collected on the 25th day of the month following production. Lease rental revenue for the entire primary term is recorded when the lease is executed. Lease rental revenue for any subsequent period is recorded as due which is generally annually on the anniversary of the lease extension. Both the amount and timing of bonus consideration revenue can vary significantly from period to period as it is recorded when a new lease is executed and relates to the unique circumstances of each lease transaction.



(\$ millions)	Three months ended March 31	
	2024	2023
<b>Royalty production revenue by product</b>		
Crude oil	92.3	83.8
NGL	10.2	11.2
Natural gas	10.7	21.8
	113.2	116.8
<b>Other revenue</b>		
Lease rental income	1.0	1.1
Bonus consideration	4.2	5.5
Other income	2.3	2.7
	7.5	9.3
<b>Revenues</b>	<b>120.7</b>	<b>126.1</b>

(\$ millions)	Three months ended March 31	
	2024	2023
<b>Revenues by classification</b>		
Lessor Interests on Fee Lands	73.7	75.4
GORR Interests	39.5	41.4
Royalty production revenue	113.2	116.8
Other revenue	7.5	9.3
<b>Revenues</b>	<b>120.7</b>	<b>126.1</b>

At March 31, 2024, receivables from contracts with customers, which are included in accounts receivable and accrued royalty revenue, totaled \$66.5 million (December 31, 2023 - \$61.6 million).

## 12. Administrative Expenses

(\$ millions)	Notes	Three months ended March 31	
		2024	2023
Salaries and benefits		4.0	3.8
Share-based compensation	10	8.7	4.6
Office expense		0.9	0.9
Public company expense		0.8	0.9
Information technology and other		1.0	0.7
<b>Administrative expenses</b>		<b>15.4</b>	<b>10.9</b>

## 13. Income Taxes

(\$ millions)	Three months ended March 31	
	2024	2023
Current tax expense	14.7	16.5
Deferred tax expense	0.1	1.1
<b>Income tax expense</b>	<b>14.8</b>	<b>17.6</b>



## 14. Capital Management

The Company's objective when managing its capital structure is to maintain financial flexibility in order to distribute cash to shareholders in the form of dividends and share repurchases and cancellations after consideration of the Company's financial requirements for its business and future growth opportunities. As a royalty company, PrairieSky does not have capital expenditure requirements, which enhances its financial flexibility.

The Company's capital structure is comprised of bank debt, shareholders' equity and working capital. The Company's capital structure is managed by taking into account operating activities, dividends paid to shareholders, common share repurchases, taxes, liquidity available under the Sustainable Credit Facility (refer to Note 7), and other factors. The Company's operating results and capital structure are impacted by the level of development activity by third parties on the Royalty Properties and the resultant royalty production volumes, commodity prices and level of costs incurred by the Company.

(\$ millions)	Notes	As at March 31, 2024	As at December 31, 2023	As at March 31, 2023
Shareholders' equity		2,754.2	2,766.4	2,767.8
Bank debt	7	174.6	188.0	264.2
Working capital deficiency excluding bank debt		33.7	34.1	28.2
Net debt		208.3	222.1	292.4
Capitalization		2,962.5	2,988.5	3,060.2

The Company's capital structure is managed through its financial and operating forecast process. The forecast of the Company's future cash flows is based on estimates of production, crude oil, natural gas and NGL prices, production and mineral tax expense, administrative expenses, current taxes and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, production expectations and other factors that in the Company's view could impact cash flow. The preparation of financial forecasts requires management to make assumptions and estimates which may prove incorrect over time. As a result, there may be adverse changes in cash flows, working capital or debt levels that are currently unforeseen. During the three months ended March 31, 2024, the Company has generated funds from operations of \$83.0 million, paid income taxes payable at December 31, 2023 of \$4.5 million and current year installments of \$13.2 million, paid dividends of \$57.3 million and made royalty acquisitions for cash consideration of \$8.8 million. The Company had a working capital deficiency (excluding bank debt) of \$33.7 million at March 31, 2024 and bank debt of \$174.6 million. The Company's working capital includes \$14.9 million (December 31, 2023 - \$11.8 million) related to the liability for vested cash-settled DSUs issued to non-executive directors which only become payable when a director is no longer a member of the Board (refer to Note 10).

## 15. Financial Instruments and Risk Management

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of accounts receivable and accrued royalty revenue, accounts payable and accrued liabilities, and dividend payable approximate their carrying amount due to the short-term maturity of those instruments. Bank debt bears interest at a floating market rate with applicable variable margins, and accordingly the fair market value approximates the carrying amount.

### RISKS ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

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



## Commodity Price Risk

Commodity price risk is the risk the Company will encounter fluctuations in its future royalty production revenue with changes in commodity prices. Commodity prices for crude oil, NGL and natural gas 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 on its 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 the three months ended March 31, 2024, 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. Bank debt bears interest at a floating market rate with applicable variable margins.

## Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. A substantial portion of the Company's accounts receivable are from royalty agreements with crude oil and natural gas industry operators and are subject to normal industry credit risks. The Company's diversified revenue stream limits the size of any one property or industry operator with respect to total receivables. In addition, the Company takes certain of its production in-kind to mitigate credit risk and in certain cases, has put a letter of credit in place with producers.

Of the Company's outstanding receivables at March 31, 2024, none are aged over 90 days (December 31, 2023 - \$nil) and the Company is satisfied its accounts receivable amounts are collectible. As at March 31, 2024, there was one counterparty 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 royalty revenue is the total carrying value.

## Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting a demand to fund financial liabilities as they come due. The Company manages its liquidity risk using cash and debt management programs, including financial forecasting. At March 31, 2024, the Company had unused capacity under its Sustainable Credit Facility of \$550.0 million (refer to Note 7).

The timing of expected cash outflows relating to bank debt of \$174.6 million, accounts payable and accrued liabilities of \$71.2 million, income tax payable of \$1.5 million and dividend payable of \$59.7 million is less than one year. The Company intends to renegotiate or obtain replacement financing in relation to bank debt maturing within the next year. Historically, the Company has been able to renegotiate terms at competitive market rates. Included in accounts payable and accrued liabilities is \$14.9 million related to vested cash settled DSUs issued to non-executive directors which only become payable when a Director is no longer a member of the Board. Management maintains a conservative approach to debt management that aims to provide financial flexibility with respect to acquisitions and the dividend rate. The Board reviews and determines the dividend rate after considering expected commodity prices, foreign exchange rates, royalty production volumes, economic conditions, income taxes, and PrairieSky's capacity to fund its expenses and investing opportunities.



## 16. Supplementary Information

### NET CHANGE IN NON-CASH WORKING CAPITAL

(\$ millions)	Three months ended March 31	
	2024	2023
Source (use) of cash:		
Accounts receivable and accrued royalty revenue	(36.8)	(31.2)
Prepays	0.4	0.2
Income tax receivable	-	(1.2)
Accounts payable and accrued liabilities	36.1	49.6
Income tax payable	(3.0)	(86.5)
Changes in non-cash working capital	(3.3)	(69.1)
Related to operating activities	(3.3)	(69.1)



# Corporate Information

## BOARD OF DIRECTORS

James M. Estey<sup>(1)</sup>  
Anna M. Alderson<sup>(2)</sup>  
Leanne M. Bellegarde<sup>(2)</sup>  
Anuroop S. Duggal<sup>(3)(4)</sup>  
P. Jane Gavan<sup>(3)</sup>  
Glenn A. McNamara<sup>(4)</sup>  
Margaret A. McKenzie<sup>(2)</sup>  
Andrew M. Phillips  
Sheldon B. Steeves<sup>(2)(3)(4)</sup>  
Grant A. Zawalsky<sup>(4)</sup>

- (1) Chair of the Board.
- (2) Member of the Audit Committee. Ms. McKenzie is the Chair of the Audit Committee.
- (3) Member of the Governance and Compensation Committee. Ms. Gavan is the Chair of the Governance and Compensation Committee.
- (4) Member of the Reserves Committee. Mr. Steeves is the Chair of the Reserves Committee.

## OFFICERS

Andrew M. Phillips,  
*President & Chief Executive Officer*

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

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

Michael T. Murphy,  
*Vice-President, Geosciences and Capital Markets*

## AUDITORS

KPMG LLP

## BANKERS

Toronto-Dominion Bank

## TORONTO STOCK EXCHANGE TRADING SYMBOL

PSK

## INDEPENDENT RESERVE EVALUATORS

GLJ Ltd.

## TRANSFER AGENT

TSX Trust Company

## ABBREVIATIONS

bbls – barrels  
bbls/d – barrels per day  
BOE – barrels of oil equivalent (6 mcf = 1 bbl)  
BOE/d – barrels of oil equivalent per day  
Mcf – thousand cubic feet  
Mcf/d – thousand cubic feet per day  
MMcf – million cubic feet  
MMcf/d – million cubic feet per day  
NGL – natural gas liquids  
WTI – West Texas Intermediate  
WCS – Western Canadian Select

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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](http://www.prairiesky.com).