PRAIRIESKY ROYALTY LTD

NOTICE OF ANNUAL GENERAL MEETING AND INFORMATION CIRCULAR AND PROXY STATEMENT

For the Annual General Meeting of Shareholders
to be held on Wednesday, April 27, 2016

NOTICE OF
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, APRIL 27, 2016

The annual general meeting (the "**Meeting**") of the shareholders of PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") will be held in The Card Room (Harry Forester Room) at the Calgary Petroleum Club, 319 Fifth Avenue S.W., Calgary, Alberta T2P 0L5 on Wednesday, April 27, 2016 at 9:30 a.m. (MDT) to:

1. receive and consider the audited financial statements of the Company for the year ended December 31, 2015, together with the report of the auditors;

2. elect five (5) directors of the Company;

3. appoint the auditors and authorize the directors to fix their remuneration as such; and

4. transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the information circular and proxy statement accompanying this notice.

Registered shareholders who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it to TMX Equity Transfer Services Inc., Attention: Proxy Department, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1, or deliver it by fax to 1-416-595-9593 at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the Meeting or any adjournment or postponement thereof. Registered shareholders may also vote via the internet at *www.voteproxyonline.com*. Votes by internet must be received by 9:30 a.m. (MDT) on Monday, April 25, 2016 or at least 48 hours prior to the time of any adjournment or postponement of the Meeting. See the information circular and proxy statement for further instructions on internet voting. If a shareholder receives more than one form of proxy because such shareholder owns Common Shares registered in different names or addresses, each proxy form should be completed and returned.

Only shareholders of record at the close of business on March 11, 2016 will be entitled to vote at the Meeting, unless a shareholder has transferred any Common Shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of such Common Shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the Meeting.

DATED at Calgary, Alberta this 11th day of March, 2016.

By order of the Board of Directors of
PrairieSky Royalty Ltd.

(signed) *Cameron Proctor*
Corporate Secretary

Information Circular and Proxy Statement
for the Annual General Meeting to be held on Wednesday, April 27, 2016

PROXIES

Solicitation of Proxies

This information circular and proxy statement is furnished in connection with the solicitation of proxies for use at the annual general meeting (the "**Meeting**") of the shareholders of PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") to be held on Wednesday, April 27, 2016 at 9:30 a.m. (MDT), in The Card Room (Harry Forester Room) at the Calgary Petroleum Club, 319 Fifth Avenue S.W., Calgary, Alberta T2P 0L5 and at any adjournment thereof. Forms of proxy must be addressed to and received by TMX Equity Transfer Services Inc. at Attention: Proxy Department, 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 or by fax to 1-416-595-9593 at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment or postponement thereof. Registered shareholders may also use the internet at *www.voteproxyonline.com* to vote their common shares of PrairieSky ("**Common Shares**"). Shareholders will be prompted to enter the control number which is located on the form of proxy. Votes by internet must be received by 9:30 a.m. (MDT) on April 25, 2016 or at least 48 hours prior to the time of any adjournment or postponement of the Meeting. The website may also be used to appoint a proxy holder to attend and vote at the Meeting on the shareholder's behalf and to convey a shareholder's voting instructions.

Only shareholders of record at the close of business on March 11, 2016 will be entitled to vote at the Meeting, unless a shareholder has transferred any Common Shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of such Common Shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the Meeting.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a Company, by a duly authorized officer or attorney of the Company.

The persons named in the enclosed form of proxy are our officers and/or directors. **As a shareholder, you have the right to appoint a person or company, who need not be a shareholder, to represent you at the Meeting.** To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your Common Shares in your own name. Only proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of such Common Shares ("**Registered Shareholders**") can be recognized and acted upon at the Meeting. If Common Shares are listed in your account statement provided by your broker, then in almost all cases those Common Shares will not be registered in your name on PrairieSky's records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc. ("**CDS**"), which acts as nominee for many Canadian brokerage firms. Common Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your Common Shares. The Company does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held. The majority of shares held in the United States are registered in the name of Cede & Co., the nominee for The Depository Trust Company, which is the United States equivalent of CDS.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your Common Shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications, Canada ("**Broadridge**"), which mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternatively, you can call their toll-free telephone number or access the internet to vote your Common Shares. Broadridge then tabulates the results of all instructions received and provide appropriate instructions respecting the voting of such Common Shares to be represented at the Meeting. If you receive a voting instruction form from Broadridge it cannot be used as a proxy to vote Common Shares directly at the Meeting as the proxy must be returned to them well in advance of the Meeting in order to have the Common Shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you may attend the Meeting as a proxyholder for the registered holder and vote your Common Shares in that capacity. If you wish to attend the Meeting and vote your Common Shares, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the form of proxy provided to you and return the document to your broker or the agent of such broker in accordance with the instructions provided by such broker well in advance of the Meeting.

Notice-and-Access

The Company has elected to use the "notice-and-access" provisions under National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting in respect of mailings to its non-registered shareholders ("**Beneficial Shareholders**") but not in respect of mailings to its Registered Shareholders. The Notice-and-Access Provisions are rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders by allowing a reporting issuer to post an information circular in respect of a meeting of its shareholders and related materials online.

The Company has also elected to use procedures known as 'stratification' in relation to its use of the Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of an information circular and, if applicable, a paper copy of financial statements and related management's discussion and analysis (together the "**Financial Information**"), to some shareholders together with a notice of a meeting of its shareholders. In relation to the Meeting, Registered Shareholders will receive a paper copy of each of a notice of the Meeting, this information circular and proxy statement and a form of proxy whereas Beneficial Shareholders will receive a Notice-and-Access Notification and a request for voting instructions. Furthermore, a paper copy of the Financial Information in respect of the most recent financial year of the Company will be mailed to Registered Shareholders as well as to those Beneficial Shareholders who have previously requested to receive them.

The Company will be delivering proxy-related materials directly to non-objecting beneficial owners of Common Shares with the assistance of Broadridge and intends to pay for intermediaries to deliver proxy-related materials to objecting Beneficial Shareholders.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy to attend personally at the Meeting, you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a company, under your corporate seal or by a duly authorized officer or attorney of the company. To be effective, the instrument in writing must be deposited either at the head office of the Company at any time up to and including the last business day before the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof.

Persons Making the Solicitation

This solicitation is made on behalf of the Company's management. PrairieSky will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual general meeting and this information circular and proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by the Company's directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees will be voted on every matter at the Meeting. Where you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted or withheld from voting on any matter in accordance with the specification so made. If you do not provide instructions, your Common Shares will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual general meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment or postponement thereof. At the time of printing this information circular and proxy statement, the Company knows of no such amendment, variation or other matter.

Quorum for Meeting and Approval Requirements

At the Meeting, a quorum shall consist of two (2) or more persons present and holding or representing by proxy not less than 25% of the outstanding Common Shares. If a quorum is not present at the opening of the Meeting, the shareholders present may adjourn the Meeting to a fixed time and place but may not transact any other business.

All of the matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution at the Meeting.

REQUEST FOR MATERIALS

Beneficial Shareholders who wish to receive a paper copy of this information circular and proxy statement and/or the Financial Information should contact Broadridge at the toll-free number 1-866-393-4891 ext. 205 at any time up to and including the date of Meeting or any adjournment thereof. In order to allow Beneficial Shareholders a reasonable time to receive paper copies of this information circular and proxy statement and related materials and to vote their Common Shares, any Beneficial Shareholders wishing to request paper copies as described above should ensure that such request is received by 4:30 p.m. (mountain standard time) on April 18, 2016. A Beneficial Shareholder may also call the Company at (587) 293-4000 to obtain additional information about the Notice-and-Access Provisions.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

PrairieSky is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As at March 11, 2016, there were 228,780,965 Common Shares and no preferred shares issued and outstanding. As a holder of Common Shares you are entitled to one vote for each Common Share owned.

Other than as set forth below, to the knowledge of the Company's directors and officers, as at March 11, 2016, no person or company beneficially owned or controlled, directly or indirectly, Common Shares entitled to more than 10% of the votes which may be cast at the Meeting.

Registered Holder	Number of Common Shares	Percentage of Issued and Outstanding
Canadian Natural Resources Limited(1)(4)	44,444,444	19.4%
RBC Global Asset Management(2)(4)	25,458,076	11.12%
Fidelity(3)(4)	23,417,982	10.2%

Notes:
(1) Canadian Natural Resources Limited includes its wholly-owned affiliates Canadian Natural Resources, Canadian Natural Resources Northern Alberta Partnership and CNR Royalty Partnership.
(2) RBC Global Asset Management Inc. is an indirect, wholly-owned subsidiary of Royal Bank of Canada.
(3) Fidelity includes the following entities: Fidelity Management & Research Company, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Strategic Advisors Incorporated, FIL Limited and certain of its affiliates, Crosby Advisors LLC and Fidelity SelectCo, LLC.
(4) Information is based solely on filings on the Company's profile at www.sedar.com.

As at March 11, 2016, PrairieSky's directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 2,498,557 Common Shares or approximately 1.09% of the issued and outstanding Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

The board of directors of PrairieSky (the "**Board**") has fixed the number of directors at five (5) members. Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of the election as directors of the five (5) nominees set forth below:

James M. Estey
Margaret A. McKenzie
Andrew M. Phillips
Sheldon B. Steeves
Grant A. Zawalsky

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the Meeting, the proxy shall not be voted with respect to such vacancy.

Voting for Election of Directors

The election of the directors will be conducted by voting on each director individually. The individual voting results will be published by news release and on *www.sedar.com* after the Meeting.

The Board has adopted a majority voting policy, which provides that if a nominee for election as a director receives a greater number of votes "withheld" than votes "for" at an uncontested meeting of the shareholders of the Company, such nominee shall offer his or her resignation as a director to the Board promptly following the meeting of shareholders at which the director was elected. Upon receiving such offer of resignation, the Governance and Compensation Committee will consider such offer and make a recommendation to the Board whether to accept it or not. In the absence of special circumstances, it is expected that the Board will accept the resignation consistent with an orderly transition. The director will not participate in any Governance and Compensation Committee or Board deliberations on the resignation offer. It is anticipated that the Board will make its decision to accept or reject the resignation within 90 days.

Biographies of the Directors

The following information relating to the director nominees is based partly on the Company's records and partly on information received by PrairieSky from the nominees and sets forth the names, ages and cities of residence of the proposed nominees, their committee memberships, the date on which each became a director of the Company, the present occupations and brief biographies of such persons and the number of Common Shares owned, controlled or directed by each and the number of deferred share units ("**DSUs**") granted under the deferred share unit plan for directors held as at March 11, 2016.

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed (1)	DSUs
James M. Estey Calgary, Alberta	63	April 11, 2014	1,400,877	28,065

Chairman of the Board
Independent

Mr. Estey's principal occupation is as a Corporate Director. Mr. Estey is the retired Chairman of UBS Securities Canada Inc., a financial services company, and has more than 30 years of experience in financial markets. Mr. Estey joined Alfred Bunting and Company as an institutional equity salesperson in 1980 after working at A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, and in 2002 Mr. Estey was appointed President & Chief Executive Officer of UBS Securities Canada Inc. In January 2008, Mr. Estey assumed the role of Chairman of UBS Securities Canada Inc.

Mr. Estey is a director and Chairman of Gibson Energy Inc., a Toronto Stock Exchange ("**TSX**") listed oil and natural gas services company and the lead director of New Gold Inc., a mining company listed on the TSX and the New York Stock Exchange ("**NYSE**"). Mr. Estey also serves on the Advisory Board of the Edwards School of Business.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(7/7)	100%
	Governance and Compensation Committee (Chair)	(2/2)	100%
	Audit Committee	(6/6)	100%
	Total	**(15/15)**	**100%**
Current Board Directorships	Public Boards		
	Gibson Energy Inc.		
	New Gold Inc.		
Voting Results of 2015 AGM	Number of Votes	% of Votes	
Votes For	106,948,321	99.36%	
Votes Withheld	693,342	0.64%	

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed [(1)]	DSUs
Margaret A. McKenzie Calgary, Alberta	54	December 19, 2014	312,720	7,682

Independent

Ms. McKenzie was formerly the Vice President, Finance and Chief Financial Officer of Range Royalty Limited Partnership and prior thereto was Vice President, Finance and Chief Financial Officer of Profico Energy Management Ltd. (a private oil and natural gas company). Ms. McKenzie holds a Bachelor of Commerce degree (with distinction) from the University of Saskatchewan and has been a member of the Institute of Chartered Accountants of Alberta since 1985. She obtained her ICD.D designation from the Institute of Corporate Directors in 2013.

Ms. McKenzie is an experienced director and currently sits as a director of two private energy companies, Bonavista Energy Company (a TSX listed oil and natural gas company), Encana Corporation (a TSX and NYSE listed oil and natural gas company) and Inter Pipeline Ltd. (a TSX listed petroleum transportation, storage and natural gas liquids extraction company).

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(7/7)	100%
	Audit Committee (Chair)	(6/6)	100%
	Reserves Committee	(2/2)	100%
	Total	(15/15)	100%
Current Board Directorships	Public Boards		
	Bonavista Energy Corporation		
	Encana Corporation		
	Inter Pipeline Ltd.		
Voting Results of 2015 AGM	Number of Votes	% of Votes	
Votes For	107,622,976	99.98%	
Votes Withheld	18,687	0.02%	

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed [1]	DSUs
Andrew M. Phillips Calgary, Alberta	38	April 11, 2014	539,956	--- [2]

President and Chief Executive Officer
Non-Independent

Mr. Phillips is the President and Chief Executive Officer of the Company and has over 15 years of experience in the oil and natural gas industry in the areas of exploration, geology, business development, asset evaluation and executive management.

Prior to his appointment as President and Chief Executive Officer of the Company, Mr. Phillips was the President and Chief Executive Officer and a director of Home Quarter Resources Ltd. ("**Home Quarter**"), a private oil and natural gas company founded by Mr. Phillips in 2010 with producing properties and royalty interests in southwest Saskatchewan and Alberta. Home Quarter was successfully divested to a public oil and natural gas company in 2014. Prior thereto, Mr. Phillips was the Vice President, Exploration at Evolve Exploration Ltd., a private junior oil and natural gas company with assets in Western Canada, and an Exploration Geologist at Profico Energy Management Ltd. and at Renaissance Energy Ltd., both of which were Canadian oil and natural gas exploration companies.

Mr. Phillips holds a Bachelor of Science, Geology degree from the University of Calgary and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

Board and Committee Membership	Membership	Meeting Attendance
	Board	(7/7) 100%
	Total [3]	(7/7) 100%
Current Board Directorships	Public Boards	
	N/A	
Voting Results of 2015 AGM	Number of Votes	% of Votes
Votes For	107,364,654	99.74%
Votes Withheld	277,009	0.26%

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed [(1)]	DSUs
Sheldon B. Steeves Calgary, Alberta	62	April 11, 2014	35,714	15,753

Independent

Mr. Steeves' principal occupation is as a Corporate Director. Mr. Steeves is a director of Enerplus Company and NuVista Energy Ltd., each of which is an oil and natural gas company listed on the TSX. From January 2001 until April 2012, Mr. Steeves was Chairman and Chief Executive Officer of Echoex Ltd., a private junior oil and natural gas company, and spent over 15 years at Renaissance Energy Ltd., a Canadian oil and natural gas exploration company, where he was appointed Chief Operating Officer & Executive Vice President in 1997.

Mr. Steeves holds a Bachelor of Science degree in Geology from the University of Calgary and is a member of the Association of Professional Engineers and Geoscientists of Alberta, the Canadian Society of Petroleum Geologists and the American Association of Petroleum Geologists.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(7/7)	100%
	Reserves Committee (Chair)	(2/2)	100%
	Governance and Compensation Committee	(2/2)	100%
	Audit Committee	(6/6)	100%
	Total	**(17/17)**	**100%**

Current Board Directorships	Public Boards
	Enerplus Corporation
	NuVista Energy Ltd.

Voting Results of 2015 AGM	Number of Votes	% of Votes
Votes For	107,134,057	99.53%
Votes Withheld	507,606	0.47%

Nominee for Election as Director	Age	Director Since	Common Shares Owned, Controlled or Directed (1)	DSUs
Grant A. Zawalsky Calgary, Alberta	56	December 19, 2014	104,172	9,986

Independent

Mr. Zawalsky is the Managing Partner of Burnet, Duckworth & Palmer LLP (Barristers and Solicitors) where he has been a partner since 1994. Mr. Zawalsky holds a B.Comm and LL.B. from the University of Alberta and is a member of the Law Society of Alberta.

Mr. Zawalsky is an experienced director and currently sits on the board of directors of a number of private and public companies, including Whitecap Resources Inc., NuVista Energy Ltd. and Zargon Oil & Gas Ltd., each of which is a TSX listed company.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(7/7)	100%
	Reserves Committee	(2/2)	100%
	Governance and Compensation Committee	(2/2)	100%
	Total	**(11/11)**	**100%**
Current Board Directorships	Public Boards		
	NuVista Energy Ltd.		
	Whitecap Resources Inc.		
	Zargon Oil & Gas Ltd.		
Voting Results of 2015 AGM	Number of Votes	% of Votes	
Votes For	107,128,091	99.52%	
Votes Withheld	513,572	0.48%	

Notes:

(1) The information as to Common Shares beneficially owned, directly or indirectly, is based upon information furnished to PrairieSky by the nominees.

(2) Mr. Phillips holds an aggregate of 45,795 RSUs, 91,591 PSUs and 587,350 Options (each as defined herein) which have been granted to him in his capacity as an officer of the Company. See "*Executive Compensation*" herein.

(3) Mr. Phillips attended all Audit Committee, Reserves Committee and Governance and Compensation Committee meetings during 2015.

Additional Disclosure Relating to Proposed Directors

None of the proposed directors (nor any personal holding company of any of such persons) is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or was subject to an Order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the proposed directors (nor any personal holding company of any of such persons) is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the proposed directors (nor any personal holding company of any of such persons) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The term of office of each director nominee will be from the date of the Meeting until the next annual meeting of shareholders or until his or her successor is elected or appointed. At the 2015 annual and special meeting of shareholders of the Company, this resolution was approved with shares voted in favour for the individual directors ranging from 99.36% to 99.98%.

The Board of Directors unanimously recommends that the shareholders vote FOR the election of each of the director nominees and unless instructed otherwise, the persons named in the enclosed form of proxy will vote FOR the election of each of the Director Nominees.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Accountants, as auditors of the Company, to hold office until the next annual meeting of shareholders and to authorize the Board to fix their remuneration as such. KPMG LLP has been the Company's auditor since November 2014. At the 2015 annual and special meeting of shareholders of the Company, this resolution was passed.

See the Company's annual information form for the year ended December 31, 2015 and dated February 29, 2016 (the "**AIF**") on page 66 for additional information regarding the fees paid to our external auditors in 2015.

The Board of Directors unanimously recommends that the shareholders vote FOR the appointment of auditors and unless instructed otherwise, the persons named in the enclosed form of proxy will vote FOR the appointment of auditors.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board has adopted mandates, position descriptions and corporate governance principles and practices that are intended to meet or exceed the independence and other governance standards and guidelines set out in National Instrument 52-109 – *Certification of Disclosure in Issuers Annual and Interim Filings*, National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 – *Corporate Governance Guidelines*. The corporate governance principles address various topics, including:

- responsibilities and duties of the Board;
- composition of the Board, including criteria for remaining a director;
- compensation of the Board;
- composition and responsibilities of the Audit Committee, the Reserves Committee and the Governance and Compensation Committee;
- relationship of the Board to management; and
- director orientation and continuing education.

The Board

The Company has five directors, four of whom are independent as specified in NI 58-101. A director is independent if he or she has no direct or indirect material relationship with the Company or its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. Certain types of relationships are, by their nature, considered to be material relationships.

Our Board mandate requires that the Board must hold in camera meetings regularly, without non–independent directors, officers or other management team members present. Both the Board, as well as all Board committees, meet in-camera and independent of management at every meeting, generally immediately following regularly scheduled Board meetings and committee meetings. The chairs of the Board and the Board committees follow up with the President and Chief Executive Officer as necessary with respect to matters requiring management action that are raised at these in-camera meetings. The Board also excuses members of management and any non–independent directors from portions of any meeting at which a potential conflict arises or where otherwise appropriate. In 2015, seven (7) Board meetings were called and the independent directors met following each meeting.

All of the members of the Board are independent directors of the Company, except Mr. Phillips because he is the President and Chief Executive Officer of the Company ("**CEO**").

Certain directors of the Company are also directors of other reporting issuers (or the equivalent):

Director	Other Directorships	Stock Exchange Listing
James M. Estey	Gibson Energy Inc. New Gold Inc.	TSX TSX, NYSE
Margaret A. McKenzie	Bonavista Energy Corporation Encana Corporation Inter Pipeline Ltd.	TSX TSX, NYSE TSX
Sheldon B. Steeves	Enerplus Corporation NuVista Energy Ltd.	TSX, NYSE TSX
Grant A. Zawalsky	NuVista Energy Ltd. Whitecap Resources Inc. Zargon Oil & Gas Ltd.	TSX TSX TSX

Meeting Attendance

Directors are expected to attend all meetings of the Board and the committees on which they participate either in person or by teleconference subject to unavoidable conflicts. Directors are also expected to attend the annual shareholders meeting. Directors are welcome to attend all committee meetings regardless of membership.

During 2015, Board and Committee meetings attendance was 100% for non-management directors as outlined below. Mr. Phillips is a management director and is not a member of any committees, however, he attended all such committee meetings during 2015.

Director[(1)]	Board Meeting Attendance	Audit	Governance & Compensation	Reserves	Total Board and Committee Meeting Attendance
Estey	7 of 7	6 of 6	2 of 2	-[(2)]	15 of 15
Steeves	7 of 7	6 of 6	2 of 2	2 of 2	17 of 17
McKenzie	7 of 7	6 of 6	-	2 of 2	15 of 15
Zawalsky[(3)]	7 of 7	-	2 of 2	2 of 2	11 of 11

Notes:

(1) Does not include Mr. Phillips who is a management director. Mr. Phillips attended all Board, Audit Committee, Reserves Committee and Governance and Compensation Committee meetings during 2015.

(2) Mr. Estey is an ex-officio member of the Reserves Committee and attended 2 of 2 Reserves Committee meetings (100%).

(3) Mr. Zawalsky was invited to and attended 6 of 6 (100%) Audit Committee meetings held during 2015. Mr. Zawalsky is financially literate within the meaning of NI 52-110.

Interlocking Boards

The Board's mandate does not specifically prohibit interlocking board positions. The Board prefers to examine each situation on its own merits with a view to examine material relationships which may affect independence. The interlocking board memberships among our directors as at March 11, 2016 are outlined below.

Company	Director	Committee Membership
Nuvista Energy Ltd.	Grant A. Zawalsky	Director Governance and Nominating Committee
	Sheldon B. Steeves	Director Governance and Nominating Committee

The Board has determined that the above common board memberships do not impair the ability of these directors to exercise independent judgment as a member of the Board.

Board Mandate

The primary responsibility of the Board is to appoint competent management and to oversee the management of the Company with a view to maximize shareholder value and ensure corporate conduct in an ethical and legal manner through an appropriate system of corporate governance and internal controls. The Board has absolute and exclusive power, control and authority over the property and affairs of the Company. Subject to the provisions of the *Business Corporations Act* (Alberta), the Board may delegate certain of those powers and authority that the directors of the Company, or independent directors, as applicable, deem necessary or desirable to effect the actual administration of the duties of the Board. The directors of the Company have certain responsibilities as more particularly described in the Board of Directors' Mandate, a copy of which is attached as Appendix "A" to this information circular and proxy statement.

Position Descriptions

The Board has adopted written guidelines for the Chair of the Board, the Chair of each of the Audit Committee, the Governance and Compensation Committee, the Reserves Committee and the CEO.

The primary responsibilities of the Chair of the Board include: (i) ensuring that the Board is properly organized, functions effectively and meets its obligations and responsibilities in all aspects of its work, including those relating to corporate governance matters; and (ii) working with the CEO to co-ordinate the affairs of the Board and ensure effective relations with the directors of the Company, shareholders, other stakeholders and the public.

The responsibilities of the Chair of each committee include: (i) ensuring that their respective committee is properly organized, functions effectively and meets its obligations and responsibilities in accordance with its mandate; and (ii) to liaise and communicate with the Chair of the Board to co-ordinate input from the committee for Board meetings.

The primary responsibilities of the CEO include: (i) providing general direction and management of the business and affairs of the Company in accordance with the corporate strategy and objectives approved by the Board, within the authority limitations delegated by the Board; and (ii) establishing a process of supervision of the business and affairs of the Company that are consistent with corporate objectives, ensuring that procedures are in place for proper external and internal corporate communications to all stakeholders, and monitoring and reporting results to the Board.

Orientation and Continuing Education

The orientation and continuing education of the directors of the Company is the responsibility of the Governance and Compensation Committee. The details of the orientation of new directors will be tailored to the needs and areas of expertise of the applicable director and include the delivery of written materials and participation in meetings with management and directors. The focus of the orientation program is on providing new directors with: (i) information about the duties and obligations of directors; (ii) information about the Company's strategy and business; (iii) the expectations of directors; (iv) opportunities to meet with management and any other senior employees or consultants designated for this purpose; and (v) access to documents from recent meetings of the Board.

The current directors of the Company were chosen for their specific level of knowledge and expertise. All directors are provided with materials relating to their duties, roles and responsibilities. In addition, directors are kept informed as to matters impacting, or which may impact, the business of the Company through reports and presentations by internal and external presenters at meetings of the Board and during periodic strategy sessions held by the Board.

All of our directors regularly engage in a variety of continuing education activities, including industry conferences and seminars. Each of Mr. Steeves and Ms. McKenzie have completed the Institute of Corporate Directors (ICD), Directors Education Program.

Director Term Limits

In light of the Company's stage of development and the recent appointment of all members of the Board, the Board has not adopted term limits for its directors or any other formal mechanism of Board renewal at this time. The Board does however have formal means of reviewing the contributions of its directors to the effectiveness of the Board through annual director and committee evaluations, annual review of the skills and needs of the Board and succession planning. Through these and other measures, the Board believes it can effectively monitor and evaluate its effectiveness and diversity while balancing the value of experience and continuity of its incumbent directors.

Representation of Women on the Board and in Executive Officer Roles

The Company currently has one female director (25% of the independent directors) and two female executive officers (50% of the executive officers).

The Board has not adopted a written policy relating to the identification and nomination of female directors nor does it have targets regarding the number of women on the Board. The Board believes that director nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the Board at the time. The Company is committed to a meritocracy and believes that considering the broadest group of individuals with the skills, knowledge, experience and character required to provide the leadership needed to achieve its business objectives is in the best interests of the Company and its stakeholders, without reference to their age, gender, race, ethnicity or religion. While the Board recognizes the benefits of diversity at the Board level and in assessing candidates and selecting nominees for the Board, diversity will also be considered by the Governance and Compensation Committee, the Board will not compromise the principles of a meritocracy.

The Board does not specifically consider the level of female representation in executive officer positions when making such appointments nor does it have targets in respect of appointing women to these positions. Similar to the Board's approach in considering director nominations, in making appointments to executive officer positions, the Board considers each candidate's experience, knowledge, education, management capabilities and competency, as well as the effect of the appointment on the diversity of the Company's executive officers as a whole. The Company is staffed with a large female contingent (approximately 73%) and given its focus on the identification, assessment and development of internal candidates to build leadership capability and strengthen overall succession, the Company believes it is poised to ensure it has strong internal female candidates to drive both short and long-term performance. The Company's philosophy of development and promotion from within will strengthen its values and culture, aid in retention of talent and provide a diversity of options for succession.

Business Code of Conduct

The Board has adopted a written business code of conduct that encourages and promotes a culture of ethical business conduct that is applicable to directors, management, employees and consultants of the Company. The Company has filed a copy of its business code of conduct on SEDAR at *www.sedar.com* under the Company's profile.

The Company's business code of conduct applies to all directors, officers, employees and contractors. All employees (including executive officers) and directors are required to certify compliance with the business code of conduct annually. The Board has the responsibility to monitor compliance with the business code of conduct and to recommend improvements as deemed necessary or appropriate. The Company monitors compliance with the business code of conduct, and the board of directors and management of the Company encourage and promote a culture of ethical business conduct in the following ways: (i) annual review and certification; (ii) business code of conduct training program; (iii) fraud response plan; (iv) business code of conduct violation reporting; and (v) internal audit functions.

In addition to the business code of conduct, the Board has adopted an investigations practice which includes procedures to address the confidential, anonymous submission by employees of concerns regarding accounting, internal accounting controls or auditing matters, or to address the receipt, retention and treatment of concerns regarding accounting, internal accounting controls or auditing matters. The Board believes that providing a forum for employees to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct.

Material Interests

The Company is engaged in the oil and natural gas business. In general, the private investment activities of directors are not prohibited; however, should an existing investment pose a potential conflict of interest the potential conflict is required to be disclosed to the President and CEO or the Board.

It is acknowledged that directors of the Company may be directors or officers of other entities engaged in the oil and natural gas business, and that such entities may compete directly or indirectly with the Company. Any director of the Company who is a director or officer of any entity engaged in the oil and natural gas business is required to disclose such occurrence to the Board. Any director or officer of the Company who is actively engaged in the management of, or who owns (i) an investment of 1% or more of the outstanding voting shares; or (ii) an investment that represents greater than 5% of his or her personal net worth, in public or private entities engaged in the oil and natural gas business is required to disclose such holdings to the Board. In the event that any circumstance should arise as a result of such positions or investments being held or otherwise which in the opinion of the Board constitutes a conflict of interest which may reasonably affect such person's ability to act with a view to the best interests of the Company, the Board will take such actions as are reasonably required to resolve such matters with a view to the best interests of the Company. Such actions, without limitation, may include excluding such directors from certain information or activities of the Company.

Clawback Policy (Recoupment of Incentive Compensation)

The Company has adopted a policy regarding recoupment of any incentive payment to an executive officer where:

- the payment was predicated upon achieving certain financial results that were subsequently the cause of a substantial restatement of the Company's financial statements;

- the Board determines the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or substantially caused the need for substantial restatement of the Company's financial statements; and
- a lower incentive compensation payment would have been made to the executive officer based upon the restated financial results.

In such circumstances, the Company will seek to recover from such executive officer the amount by which that executive officer's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results.

Anti-Hedging Policy and Other Restrictions on Trading Activities

The Company has adopted a Securities Trading and Insider Reporting Policy which, among other things, ensures that executives and directors cannot participate in speculative activity related to the Company's securities to artificially protect themselves against declines in share price. The Securities Trading and Insider Reporting Policy provides that executive officers and directors are prohibited, at any time, from: (i) entering into a sale of the Company's securities that they do not own or have a right to own (a speculative practice, called "selling short", which is done in the belief that the price of a stock is going to fall and the seller will then be able to cover the sale by buying the stock back at a lower price); and (ii) selling a "call option" or buying a "put option" in respect of any the Company's securities (as such persons could profit from the Company's stock price falling). Executive officers and directors are also prohibited from participating in equity monetization transactions involving any the Company's securities that are part of the Company's long-term incentive programs which have not vested or the Common Shares that constitute part or all of the Company's requirements under the Company's minimum share ownership guidelines. Executive officers and directors are also strictly prohibited from entering into any equity monetization transaction that is the equivalent of "selling short".

In addition to the Company's Securities Trading and Insider Reporting Policy, and given the unique nature of the Company's business, the Board has adopted the Restricted Securities Trading Policy to assist management and the Board in identifying potential conflicts of interest and ensuring adherence to good governance practices and applicable securities laws with respect to trading in securities of the Company and oil and natural gas companies in western Canada, some of whom may be engaged in business with the Company from time to time. Pursuant to the Restricted Securities Trading Policy, the Corporate Secretary of the Company maintains a restricted list of companies who are engaged in active business negotiations with the Company and for whom the Company may have material information from time to time (such as well results) which is not generally available to the public. All employees, contractors, officers and directors of the Company are required to contact the Corporate Secretary prior to trading in any securities of an issuer who is engaged in the oil and natural gas or natural resources business in western Canada (including the Company), to determine, prior to such trade, whether the issuer is on the restricted list. If the issuer is on the restricted list, the covered person shall not trade, directly or indirectly, securities of the issuer. Violations of the Restricted Securities Trading Policy may result in disciplinary action up to and including termination of employment or contract, as applicable. The Company may refer violations of the Restricted Securities Trading Policy or relevant laws to the appropriate regulatory authorities. Actions that violate or appear to violate the Restricted Securities Trading Policy must be reported in accordance with the Company's investigations practice.

See also "*Compensation Discussion and Analysis - Executive Compensation - Short Selling Restrictions*".

Nomination and Election of Directors

The Governance and Compensation Committee is responsible for recommending suitable candidates for nomination for election as directors of the Company in accordance with the terms of its mandate. The shareholders are entitled to elect directors of the Company.

The Board and Governance and Compensation Committee regularly discuss and evaluate the experience, qualification and skills of our directors with a view to ensuring the appropriate skill and experience profile is represented at the Board and committee level. See "*Statement of Corporate Governance Practices – Director Skills and Experience*". In conjunction with this exercise, the Board keeps an "evergreen" list of potential candidates for consideration as future Board members and regularly discusses the same. The Board Chair and CEO from time to time arrange meetings with such candidates to determine interest and availability with a view to making recommendations to the Board if and when appropriate.

The Board has adopted a majority voting policy, which provides that if a nominee for election as a director receives a greater number of votes "withheld" than votes "for" at an uncontested meeting of the shareholders of the Company, such nominee shall offer his or her resignation as a director to the Board promptly following the meeting of shareholders at which the director was elected. Upon receiving such offer of resignation, the Governance and Compensation Committee will consider such offer and make a recommendation to the Board whether to accept it or not. In the absence of special circumstances, it is expected that the Board will accept the resignation consistent with an orderly transition. The director will not participate in any Governance and Compensation Committee or Board deliberations on the resignation offer. It is anticipated that the Board will make its decision to accept or reject the resignation within 90 days.

In addition, the Company's by-laws include "advance notice provisions" designed to: (i) facilitate an orderly and efficient annual meeting or, where the need arises, special meeting, process; (ii) ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation. As a whole, these provisions are intended to provide shareholders, directors and management of the Company with a clear framework for nominating directors. In particular, these provisions of the by-laws fix a deadline (being not less than 30 days before the date of an annual meeting of shareholders and, in the case of a special meeting, the 15th day following the day on which the first public announcement of the date of the special meeting of shareholders was made) by which holders of record of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders, and also set forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders. The Company's by-laws are available on SEDAR at *www.sedar.com* and were confirmed by the Company's shareholders on April 11, 2014.

Compensation of Directors and Officers

The remuneration of the directors of the Company is set, and periodically reviewed, by the Board on the recommendation of the Governance and Compensation Committee.

The compensation of management is periodically reviewed by the Board on the recommendation of the Governance and Compensation Committee. See "*Executive Compensation*".

Share Ownership Guidelines

The Company has adopted share ownership guidelines to encourage alignment with the interests of shareholders by requiring its directors and management to build and hold equity in the Company in accordance with prescribed guidelines. Independent directors are required to accumulate and hold, within three years of his or her appointment, Common Shares representing three times his or her annual total compensation, including any DSUs granted to such directors. Up to 75% of such target Common Share ownership can be represented by DSUs. Officers of the Company are required, within three years of their appointment, to accumulate a multiple of their annual salary in the form of Common Shares, as follows: CEO (five times); Chief Financial Officer ("**CFO**") and Chief Operating Officer ("**COO**") (four times); and other executive officers (three times). No share based compensation (RSUs, PSUs and Options) are counted towards achieving such targets. The valuation of DSUs and Common Shares is determined on an annual basis as the greater of the fair market value at (i) the date of grant or purchase, as the case may be, and (ii) the closing trade price of the Common Shares on the TSX on December 31 or last day on which the Common Shares traded on such exchange prior to December 31. The value of holdings reflected below is based on the December 31, 2015 Common Share price of $21.92.

Name	Equity Ownership Guideline		Shareholdings			Guideline Met or Investment Required to Meet Guideline
	Multiple of Salary/Annual Compensation	Amount of Salary/Annual Compensation Retainer ($)	Common Shares (#)	Holdings as a Multiple of Salary Retainer(1)	Value of Holdings ($)(1)	
Independent Directors:						
James M. Estey	3x	210,000	1,400,877	146x	30,707,224	Guideline met
Margaret A. McKenzie	3x	145,000	312,720	47x	6,854,822	Guideline met
Sheldon B. Steeves	3x	140,000	35,714	6x	782,851	Guideline met
Grant A. Zawalsky	3x	130,000	104,172	18x	2,283,450	Guideline met
Management:						
Andrew M. Phillips *President and Chief Executive Officer*	5x	400,000	539,956	30x	11,835,836	Guideline met
Cameron M. Proctor *Chief Operating Officer*	4x	320,000	56,210	4x	1,232,123	Guideline met(2)
Pamela P. Kazeil *Vice President, Finance & Chief Financial Officer*	4x	305,000	40,334	3x	884,121	Guideline not met(3)
Michelle Radomski *Vice President, Land*	3x	245,000	8,574	1x	187,942	Guideline not met(3)

Notes:
(1) Value based on the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92.
(2) The fair market value of Mr. Proctor's Common Shares, based on the purchase price for such shares, is $1,566,973.
(3) Directors and executive officers have three years from their appointment to meet the target Common Share ownership. Ms. Radomski has until December 19, 2017 to meet the Common Share ownership guidelines and Ms. Kazeil has until June 1, 2018 to meet the Common Share ownership guidelines.

Board Committees

There are three committees of the Board of Directors, all of which are comprised entirely of independent directors. The following table outlines the composition of the Board committees as at December 31, 2015.

Director	Year Appointed	Independent	Committee Composition as at December 31, 2015		
			Audit(1)	Governance & Compensation	Reserves
Independent Directors:					
Estey	2014	✓	✓	Chair	
Steeves	2014	✓	✓	✓	Chair
McKenzie	2014	✓	Chair		✓
Zawalsky	2014	✓		✓	✓
Management Directors:					
Phillips(2)	2014				

Notes:
(1) The Board has determined that all members of the Audit Committee and the other two directors, being Messrs. Phillips and Zawalsky, are "financially literate" within the meaning of that term under NI 52-110.
(2) Mr. Phillips is the President and CEO of the Company and therefore is not independent.

Audit Committee

The Audit Committee is comprised of Margaret A. McKenzie, as Chair, James M. Estey and Sheldon B. Steeves, all of whom are independent and financially literate within the meaning of such terms under NI 52-110. The specific responsibilities of the Audit Committee are set out in the Audit Committee Mandate, a copy of which is attached as Appendix "C" to the AIF. The Audit Committee's primary role is to: (i) review management's identification of principal financial risks and monitor the process to manage such risks; (ii) oversee and monitor the Company's compliance with legal and regulatory requirements; (iii) oversee and monitor the integrity of the Company's accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance; (iv) oversee audits of the Company's financial statements; (v) oversee and monitor the qualifications, independence and performance of the Company's external auditors; (vi) provide an avenue of communication among the external auditors, management, the accountants and the Board; and (vii) report to the Board regularly.

The Company believes that each of the members of the Audit Committee possesses substantially all of the following: (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting. For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "*Directors and Executive Officers*" in the AIF and "*Election of Directors – Biographies of the Directors*" in this Information Circular.

Governance and Compensation Committee

The Governance and Compensation Committee is comprised of James M. Estey, as Chair, Sheldon B. Steeves and Grant A. Zawalsky, all of whom are independent for the purposes of NI 58-101. The specific responsibilities of the Governance and Compensation Committee are set out in the Governance and Compensation Committee Mandate, a copy of which is available on the Company's website. The primary role of the Governance and Compensation Committee is to: (i) develop, implement and monitor governance standards and best practices; (ii) review the mandates of the Board and its committees; (iii) regularly assess the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors; (iv) oversee the preparation of the annual "Statement of Corporate Governance Practices"; (v) identify and recommend individuals for nomination as members of the Board and its committees and for appointment as officers; and (vi) review and recommend to the Board all matters pertaining to the compensation of directors and management.

Reserves Committee

The Reserves Committee is comprised of Sheldon B. Steeves, as Chair, Margaret A. McKenzie and Grant A. Zawalsky, each of whom are independent for purposes of NI 51-101. Mr. Estey is an *ex officio* non-voting member of the Reserves Committee. The primary role of the Reserves Committee is to: (i) act in an advisory capacity to the Board; (ii) review the Company's procedures relating to disclosure of information with respect to crude oil, natural gas and natural gas liquids reserves and resources data; (iii) annually review the selection of the qualified reserves evaluators or auditors chosen to report to the Board on the Company's crude oil, natural gas and natural gas liquids reserves data; and (iv) review the Company's annual reserves estimates prior to public disclosure.

Board and Committee Meetings without Management

The non-management directors meet without members of management present at every meeting of the Board and at every meeting of all committees of the Board. Each regularly scheduled Board and committee meeting's agenda includes an in camera session at each meeting. See "*Statement of Corporate Governance Practices – The Board*".

Assessment of Directors, the Board and Board Committees

The members of the Board collectively assess the performance of the Board as a whole, the committees of the Board and all directors. Such assessment occurs annually with an emphasis on the overall effectiveness and contributions made by the Board as a whole, the committees of the Board and all directors individually.

Director Skills and Experience

The Board and the Governance and Compensation Committee review the experience, qualifications and skills of our directors to ensure that the composition of the Board and committees and the competencies and skills of the members are in line with those that the Governance and Compensation Committee considers that the Board and respective committees should possess.

The Board identifies and evaluates the competencies and skills of the members based on the individual experience and background of each director. This exercise is performed both on an ad-hoc basis and at least annually based on self-assessment by each director whereby each director is asked to rate their experience and background in a variety of key subject areas. This data is compiled into a matrix representing the broad Board skills for current directors. This matrix is maintained to identify areas for strengthening the Board, if any, and address them through the recruitment of new members.

The following skills matrix outlines the experience and background of, but not necessarily the technical expertise of, the individual directors based on information provided by such individuals.

		Estey	Steeves	McKenzie	Zawalsky	**Total**
Enterprise Management	Experience as a President or CEO leading an organization or major business line	✓	✓			2
Business Development	Management or executive experience with responsibility for identifying value creation opportunities	✓	✓	✓	✓	4
Financial Literacy	Ability to critically read and analyze financial statements	✓	✓	✓	✓	4
Corporate Governance	Understanding the requirements of good corporate governance usually gained through experience as a senior executive officer or a Board member of a public organization	✓	✓	✓	✓	4
Change Management	Experience leading a major organizational change or managing a significant merger	✓	✓			2
Operations	Management or executive experience with oil and gas operations		✓			1
Financial Experience	Senior executive experience in financial accounting and reporting and corporate finance	✓		✓		2
Human Resources	Management or executive experience with responsibility for human resources	✓	✓	✓	✓	4
Reserves Evaluation	General experience with or executive responsibility for oil and gas reserves evaluation		✓		✓	2
Risk Evaluation	Management or executive experience in evaluating and managing the variety of risks faced by an organization	✓	✓	✓	✓	4

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion describes the significant elements of the Company's executive compensation program, with particular emphasis on the process for determining compensation payable to Andrew M. Phillips, as the President & CEO, Cameron M. Proctor, as the COO of the Company, Pamela P. Kazeil, as the Vice-President, Finance and CFO of the Company, and Michelle Radomski, as the Vice-President, Land of the Company (collectively, the "**Named Executive Officers**" or "**NEOs**"). The following discussion also includes information with respect to former employees of the Company who were NEOs during 2015, as follows: (i) L. Geoffrey Barlow, the former Vice-President, Finance & Chief Financial Officer of the Company ("**Former CFO**") who ceased to be an employee of the Company on February 24, 2015; and (ii) Cristina T. Lopez, the former Vice-President, Corporate Development of the Company ("**VP Corporate Development**") who ceased to be an employee of the Company on January 11, 2016.

General

Based on recommendations made by the Governance and Compensation Committee, the Board makes decisions regarding salaries, short-term incentives (in the form of annual cash awards or bonuses) and long-term incentive compensation for management, and approves corporate goals and objectives relevant to the compensation of the CEO and the other members of management. The Board solicits input from the CEO and the Governance and Compensation Committee regarding the performance of the Company's other members of management. The Board also administers the incentive compensation and benefit plans with the assistance of the Governance and Compensation Committee.

CEO Compensation

The compensation of the CEO is reviewed annually and determined by the Board as a whole on the recommendation of the Governance and Compensation Committee. The level of CEO compensation is determined by the Board considering all factors which they deem appropriate, including Chief Executive Officer salaries for companies of comparable size, industry, geography and complexity. The grant of incentive awards are determined by the Board, upon recommendation of the Governance and Compensation Committee, based on consideration such as the Company's overall performance, relative shareholder returns or other relevant factors.

Mr. Phillips became CEO on April 11, 2014 and his 2014 and 2015 annualized compensation is highlighted below. A three year summary is not provided given PrairieSky commenced active operations on May 27, 2014.

Compensation Component	2014	2015
Base Salary(1)	$ 400,000	$ 400,000
Other Compensation (2)	$ 20,000	$ 23,300
Bonus	$ 750,000	$ 600,000
RSU/PSU Grants	$ 900,000	$ 1,500,000
Option Grant(3)	$ 1,500,000	$ 500,000
Total Compensation	**$ 3,570,000**	**$ 3,023,300**

Notes:
(1) Mr. Phillips' 2014 Base Salary is shown as an annualized amount. Mr. Phillips commenced employment with the Company effective May 29, 2014.
(2) Other Compensation includes savings plan contributions. See "*Executive Compensation – Compensation Discussion and Analysis – Components of Compensation – Retirement Savings Plan*".
(3) Mr. Phillips' 2014 Option grant includes $300,000 of fair value pursuant to an annual award of Options, plus $1,200,000 of fair value pursuant to a one-time sign on award of Options.

As of December 31, 2015 Mr. Phillips held the following number of Common Shares, RSU/PSUs and Options.

Share Based Component	Number of Shares/Units/Options		Value
Total Common Shares Owned[1]	**539,956**	**$**	**11,835,836**
RSU/PSUs[2]	84,876	$	1,860,482
Options[3]	445,643	$	0
Total	**1,070,475**	**$**	**13,696,318**

Notes:
(1) Common Share value based on the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92.
(2) RSU/PSU value based on the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92 and a performance multiplier assumed at 1.0x. The value of the share unit awards (as defined below) includes dividend equivalents.
(3) Options are valued using the "in-the-money" amount of such Options using the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92.

Compensation Objectives and Principles

The Board recognizes that the Company's success depends greatly on its ability to attract, retain and motivate employees at all levels, which can only occur if the Company has an appropriately structured and executed compensation program. The Company's compensation policies are founded on the principle that executive and employee compensation should be consistent with shareholders' interests and the Company's incentive programs are therefore intended to encourage decisions and actions that will result in the Company's growth and create long-term shareholder value, while specifically not rewarding excessive risk-taking by management or employees. In determining the compensation to be paid to management, the Governance and Compensation Committee considers various items including corporate achievements, comparative market data and information supplied by management or external consultants with expertise on such matters.

The principal objectives of the Company's executive compensation program are as follows:

- to attract and retain qualified management;
- to have a compensation package that is competitive within the marketplace;
- to align management's interests with those of the shareholders; and
- to reward the demonstration of both leadership and performance that creates long-term shareholder value.

The Governance and Compensation Committee's objective is to ensure the compensation of the Named Executive Officers provides a competitive package that reflects the above objectives, as well as provide a link between discretionary short and long-term incentives with short and long-term corporate goals. The compensation package has been designed to reward performance based on the achievement of performance goals and objectives and to be competitive with comparable companies in the market in which the Company competes for talent. See "*Total Compensation Mix*" below.

In establishing the executive compensation programs the Governance and Compensation Committee also considers the implication of the risks associated with the executive compensation program, including: (i) the risk of executives taking inappropriate or excessive risks; (ii) the risk of inappropriate focus on achieving short-term goals at the expense of long-term return to shareholders; (iii) the risk of encouraging aggressive accounting practices; and (iv) the risk of excessive focus on financial returns and operational goals.

While no program can fully mitigate these risks the Board believes that many of these risks are mitigated by: (i) weighting the Company's long-term incentives towards share ownership and vesting long-term incentives over a number of years; (ii) establishing a uniform incentive program for all executive officers and employees; (iii) avoiding narrowly focused performance goals which may encourage loss of focus on providing long term shareholder return and retaining adequate discretion to ensure that the Governance and Compensation Committee and Board retain their business judgment in assessing actual performance; and (iv) establishing a strong commitment to accounting and regulatory compliance.

Benchmarking Executive Compensation

To benchmark the magnitude and mix of management's compensation arrangements, in forming the compensation market for the Company (the "**Compensation Market**"), the Board has considered the size, scope, stage of development and risk profile of the Company against a peer group of companies using the following parameters:

- companies in the oil and natural gas, mining and real estate industries with a royalty or dividend-focused business model;
- comparable market capitalization to the Company; and
- companies with producing properties and significant undeveloped acreage in the Western Canadian Sedimentary Basin.

Based on these parameters, the following are the peer group of companies used in determining the Compensation Market for 2015:

	Market Capitalization(1) ($ Billions)		**Market Capitalization(1) ($ Billions)**
Osisko Gold Royalties	0.9	**Average**	
Labrador Iron Ore Royalty Corporation	1.2	PrairieSky Royalty Ltd.	4.4
Freehold Royalties Ltd.	1.3	**PrairieSky's Rank (out of 19)**	**9**
Whitecap Resources Inc.	2.6		
Enerplus Corporation	2.1		
Baytex Energy Corp.	2.8		
Canadian Apartment Properties Real Estate Investment Trust	3.0		
Boardwalk Real Estate Investment	3.0	**Statistical Distribution**	
Smart Real Estate Investment Trust	3.5	25th percentile	2.7
First Capital Realty Inc.	4.2	Median	4.2
Peyto Exploration & Development Corp.	4.7	75th percentile	6.8
Vermilion Energy	5.5	PrairieSky's percentile rank	55TH
H&R REIT	6.2		
ARC Resources Ltd.	7.5		
Tourmaline Oil Corp.	7.6		
RioCan Real Estate Investment Trust	8.9		
Silver Wheaton Corp.	9.6		
Franco-Nevada Corporation	9.5		

Note:
(1) Market Capitalization as at January 7, 2015, the date on which the peer group was determined.

The peer group of Companies used in determining the Compensation Market for 2014 were as follows:

- ARC Resources Ltd.
- Baytex Energy Corp.
- Bellatrix Exploration Ltd.
- Birchcliff Energy Ltd.
- Bonavista Energy Corporation
- Bonterra Energy Corp.
- Crew Energy Inc.
- Enerplus Corporation
- Franco-Nevada Corporation
- Freehold Royalties Ltd.
- Labrador Iron Ore Royalty Corporation
- Legacy Oil + Gas Inc.
- Lightstream Resources Ltd.
- NuVista Energy Ltd.
- Paramount Resources Ltd.
- Pengrowth Energy Corporation
- Penn West Exploration Ltd.
- Peyto Exploration & Development Corp.
- Silver Wheaton Corp.
- Surge Energy Inc.
- TORC Oil & Gas Ltd.
- Tourmaline Oil Corp.
- Trilogy Energy Corp.
- Whitecap Resources Ltd.

The composition of the peer group of companies is used by the Board to benchmark management's compensation arrangements, and is reviewed periodically and may be adjusted in order to continue to align to the noted parameters and to reflect acquisition and/or divestiture activity within the group. Further, in determining performance metrics for granted PSUs under the Incentive Plan (as defined below), the Board may consider a subset of the peer group of companies in measuring relative total shareholder return.

PrairieSky's Performance versus Peers and Indices

On a one year and since the initial public offering ("**IPO**" or "**Initial Public Offering**") on May 29, 2014 basis the Company has outperformed the S&P/TSX Capped Energy Index and the average of its 2014 Peer Group. In 2015, the Peer Group was updated (see "*Benchmarking Executive Compensation").* Although the Company has outperformed the 2015 Peer Group since IPO, on a one year basis (the period the 2015 Peer Group has been used as the benchmark), the 2015 Peer Group has outperformed PrairieSky. On a one year and since the IPO (May 29, 2014) basis the S&P/TSX Composite Index has outperformed the Company due mainly to the performance of the non-energy stocks in this index.

The following table illustrates total shareholder returns for the aforementioned periods.

	1 year	Since IPO (May 29, 2014)
PSK	−23.6%	−14.4%
S&P/TSX Composite Index	−8.3%	−6.4%
S&P/TSX Capped Energy Index	−24.1%	−45.1%
2014 Peer Group Average	−39.1%	−57.0%
2015 Peer Group Average	−19.6%	−25.2%

Short Selling Restrictions

The Company's directors and officers are prohibited from knowingly selling, directly or indirectly, any of the Company's securities if such person selling such security does not own or has not fully paid for the security to be sold. Directors and officers are also not permitted to buy or sell a call or put in respect of any of the Company's securities. Notwithstanding these prohibitions, directors and officers may sell a Common Share which they do not own if they own another security convertible into Common Shares or an option or right to acquire Common Shares sold and, within 10 days after the sale, the director or officer: (i) exercises the conversion privilege, option or right and delivers the Common Share so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser. See "*Statement of Corporate Governance Practices – Anti-Hedging Policy and Other Restrictions on Trading Activities*".

Components of Compensation

The following components comprise the compensation package for the Named Executive Officers: (i) base salary; (ii) annual cash awards; and (iii) participation in the Company's long-term incentive program. All salary increases, cash bonuses and long-term incentive compensation for the Named Executive Officers are reviewed by the Governance and Compensation Committee and amended as deemed appropriate with the approval of the Board.

Base Salary

The base salary of each Named Executive Officer is, subject to a minimum amount established under the executive employment agreements described below, determined by the Governance and Compensation Committee. The base salary of each Named Executive Officer is based on the median of the Compensation Market but may be adjusted upward or downward to reflect factors that include the relative complexity of the Named Executive Officer's role as compared to the Compensation Market. Salaries are reviewed annually and compared to the Compensation Market through publicly available documents and the broader market through analysis of industry compensation surveys as prepared by external compensation consultants. Consideration is also given to internal factors including the strategy and growth plans of the Company and the objective to attract and retain highly talented individuals from the industry. No salary increases were made for the Named Executive Officers for 2015 or 2016.

Annual Cash Awards (Bonus)

Annual cash awards are intended to motivate and reward Named Executive Officers for achieving and surpassing corporate and individual goals, but are not guaranteed year over year. The amount of the cash award or “bonus” is determined by reference to a target percentage of base salary. Bonuses for the Named Executive Officers, excluding the CEO and COO, are recommended by the CEO and reviewed and recommended by the Governance and Compensation Committee and approved by the Board. Bonuses for the CEO and COO are recommended by the Governance and Compensation Committee and approved by the Board. The 2015 targeted bonus percentage for the CEO was 150% of base salary, for the COO was 100% of base salary, for the CFO was 75% of base salary, for the VP Land was 50% of base salary and for the former VP Corporate Development was 75% of base salary. Actual cash awards range from zero to two times the targeted bonus percentage, unless otherwise determined by the Board, in its sole discretion, where such discretion will be subject to a maximum of three times the targeted bonus percentage.

For 2015, corporate and individual goals included: (i) growing the Company and per share returns for shareholders through value-added and accretive acquisitions, royalty transactions and organic leasing of the Company’s land base; (ii) ensuring cost optimization through improving efficiencies, managing the Company’s human capital and efficiency managing costs associated with third party service providers; (iii) integration of acquisitions and new royalty arrangements into the Company’s records management system; (iv) royalty compliance activities, including lease compliance and forensic accounting audits; (v) ensuring good governance through robust asset management processes, internal controls, adherence to good governance practices, and risk mitigation; (vi) and succession planning in the CFO role. The following chart outlines the objectives (which involved both subjective and objective considerations) for each Named Executive Officer and the weighting by importance of each objective to the respective role of each executive officer for each year:

	Weighting for each Named Executive Officer				
Objective	**CEO**	**COO**	**CFO**	**VP Corporate Development**	**VP Land**
Growth	High	High	Medium	High	High
Cost Structure Optimization	High	High	High	Medium	Medium
Asset Integration	High	High	High	Medium	High
Royalty Compliance	High	High	High	N/A	High
Governance	High	High	High	High	High
CFO Succession Planning	High	High	N/A	N/A	N/A

For 2016, corporate and personal objectives for executive officers (including the CEO) will continue to include those set out in the chart above, with the exception of CFO succession planning which was achieved in 2015. The CEO's and COO's objectives will continue to be the same as those for the Company and each of the objectives will be weighted as "High". The Governance and Compensation Committee will continue to use both subjective and objective measures for considering each of the corporate objectives set out in the chart above. For growth, the Governance and Compensation Committee will consider the number, nature and value of transactions evaluated and executed as well as the level of lease issuance bonus and new leasing/commitments/drilling generated by management's efforts. For cost structure optimization, the Governance and Compensation Committee will consider management's efforts to manage the Company's general and administrative expenses, against budget and within a framework of executing the Company's other objectives, including but not limited to growth and risk management. For asset integration the Governance and Compensation Committee will consider management's efforts in integrating and optimizing records related to acquired assets, new leasing activity and royalty transactions, as well as continuous improvement efforts to enhance the Company's technology platform for records management and royalty compliance. For royalty compliance, the Governance and Compensation Committee will consider progress in auditing and collecting royalty revenue receipts, forensic accounting efforts, lease compliance efforts and managing counterparty credit risk. For governance, the Compensation and Governance Committee will consider external rating agency rankings and surveys, management performance with respect to internal controls and risk mitigation objectives, and accomplishments with respect to other governance best practices. In addition to the foregoing, in determining annual bonus eligibility and the granting of awards the Compensation and Governance Committee and the Board consider: (i) shareholder returns, in particular share price performance; and (ii) when goals are met, the extent to which factors outside management's control may have had an impact.

<u>2015 Performance of CEO</u>: The CEO's personal objectives were the same as the corporate objectives. As noted in the chart above, for the CEO, each of the objectives was weighted as "High". The Governance and Compensation Committee used both subjective and objective measures in considering each of the corporate objectives set out in the chart above and concluded that these corporate objectives were met or exceeded by the Company. Further detail is set out in the table below.

Objective	Objective Measures Considered	Subjective Measures Considered	Conclusion
Growth	• More than 15 transactions completed during 2015 for an aggregate value of $73.1 million (excluding the acquisition of royalty interest assets from Canadian Natural Resources Limited for $1.8 billion (prior to customary closing adjustments)) • $198 million equity issue completed near 2015 high per share price; provided the Company with additional resources to fund future acquisition opportunities • $680 million subscription receipt private placement completed to fund a portion of the acquisition from Canadian Natural Resources Limited • Completed several meaningful leasing arrangements, adding near and medium term drilling commitments on the land base • Collected $33.3 million in lease issuance bonus in 2015 (2014 - $8.7 million)	• Numerous opportunities considered and evaluated; management demonstrated discipline in a volatile commodity price environment • Management ensured balance sheet strength with nil debt and $210.3 million positive working capital at December 31, 2015 • Acquisitions completed during 2015 were accretive to existing shareholders, provided immediate cash flow with upside potential consistent with the Company's stated strategy • $680 million subscription receipt private placement conducted privately without use of brokers and no commissions paid • Acquisition from Canadian Natural Resources Limited consolidated the largest remaining fee mineral title position, diversified the Company's royalty asset base geographically, added high-quality well capitalized payors, and was accretive to existing and new shareholders	• ***Objective significantly exceeded***

Objective	Objective Measures Considered	Subjective Measures Considered	Conclusion
Cost Structure Optimization	• Administrative expense decreased year over year by 4% on a per boe basis • Headcount was restructured year over year from 79 employees (at time of IPO) to 66 full time employees at December 31, 2015 • New office space was procured under a long-term sub-lease on favourable terms • Sub-leased Range Royalty Limited Partnership office space for the balance of the term at equal pricing	• Overall cost structure of the organization was improved • Organizational and compensation structure was reshaped to reward high performers and encourage long term retention • From IPO in May 2014 to December 31, 2015 the Company's land base has roughly tripled while costs on a per boe basis have decreased	• ***Objective significantly exceeded***
Asset Integration	• Integrated the Range Royalty Limited Partnership acquisition and more than 15 transactions completed during 2015 • Commenced integration of Canadian Natural Resources Limited's assets acquired in December 2015 • Integrated significant seismic assets acquired through multiple transactions during 2015 • Commenced implementation of a special project to enhance the Company's royalty compliance and records management technology platform	• Effective use of internal and external resources • Undertook a significant planning, scoping and procurement exercise to establish foundation for the royalty compliance and records management technology systems upgrade	• ***Objective achieved***
Royalty Compliance	• Over 1,175 lease compliance notices were served, generating: (i) 62.5 sections returned to the Company's land inventory; (ii) an estimated $18.5 million in additional capital spend drilling offset wells; and (iii) an estimated $0.9 million in compensatory royalties • Over $9.3 million in royalty compliance revenue collected		• ***Objective exceeded***
Governance	• Enhancing processes, including development of new information systems • Upgrades to information technology and records management security, including establishing a co-location facility to mitigate business interruption risk • Effectively managed counterparty credit risk through collections efforts and establishment of a "take-in-kind" program	• Improved investor relations materials and disclosure documents	• ***Objective achieved***

Objective	Objective Measures Considered	Subjective Measures Considered	Conclusion
CFO Succession Planning	• Hired CFO replacement	• Search process was comprehensive and external resources expended to fill role were managed appropriately	• ***Objective achieved***

2015 Performance of Other Named Executive Officers: Information regarding the Governance and Compensation Committee's assessment on the attainment of corporate objectives is set out above. For personal objectives, the Governance and Compensation Committee considered the CEO's performance reviews of each executive officer against his or her key responsibilities and objectives, as well as the relative contribution made by each of the executives towards the Company's objectives during the year. The Governance and Compensation Committee concluded that these objectives were met or exceeded by certain of the Company's executive officers, while two of the executive officers had either not met or not sufficiently advanced towards completion of an objective to warrant full bonus consideration for such measure.

In addition, the Governance and Compensation Committee considered the overall challenges faced by the oil and gas industry in Canada during 2015 and the corresponding impact on the Company's share price and returns to shareholders. Moreover, the Board and management considered the need to reflect leadership by example in exercising moderation and financial discipline given ongoing uncertainly in the oil and gas industry heading into 2016 and volatility with respect to commodity prices. Based on the foregoing, and despite certain executives significantly exceeding 2015 objectives, cash bonus awards for executive officers for 2015 performance were capped at target percentages of base salary, with two of the five executive officers receiving less than their targeted bonus.

No changes were made to the Named Executive Officers' target bonuses for 2016.

Long-Term Incentive Program

The long-term incentive program of the Company generally involves a portfolio of awards comprised of: 50% PSU grants and 25% RSU grants, each under the Incentive Plan, and 25% grant of Options under the Option Plan (as defined below). These awards are intended to encourage participants to focus on creating and improving the Company's long-term financial success and provide participants an opportunity to benefit from the share performance of the Company. The purpose of the long-term incentive program is to align the interests of shareholders and management. See "*Executive Compensation — Incentive Award Programs*".

Retirement Savings Plan

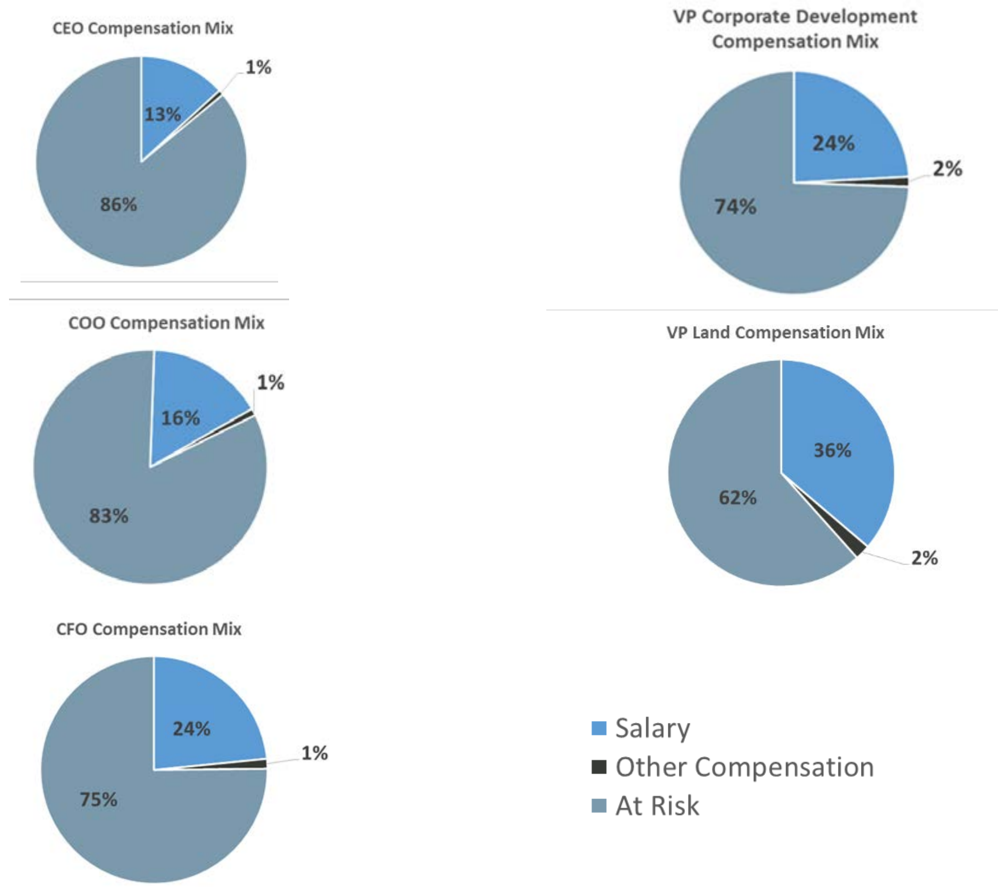
The Company has adopted a plan to provide all employees of the Company, including the Named Executive Officers, the opportunity to save for retirement that is comparable to the Company's peers. This plan consists of a group registered savings plan and a group non-registered savings plan in which the Company matches a percentage of a participant's contributions up to a set maximum of 6%. The plan requires that all savings plan contributions be used by the external custodian and manager of the plan to purchase Common Shares through the facilities of the TSX. The plan is considered an automatic securities purchase plan and contains certain restrictions with respect to changing contribution levels, changing investment directions and also withdrawal of investments in the plan.

Other Compensation Elements

To ensure the Company's compensation packages remain competitive with those of its peers, the Named Executive Officers receive certain perquisites, including an annual allowance for personal benefits selected by the Named Executive Officer, company-provided parking and executive health care package. In the case of the CEO, a company-paid business club membership is also provided.

Total Compensation Mix

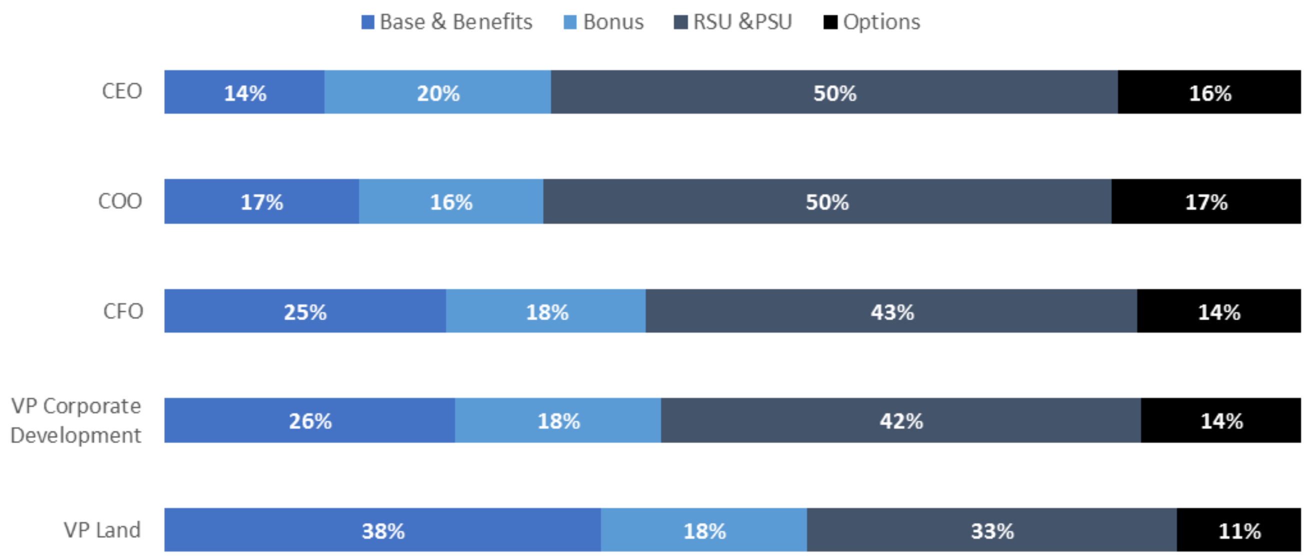
PrairieSky's compensation philosophy is designed to align compensation with corporate performance and therefore the majority of executive compensation is performance based and "at risk". The graphs below demonstrate the "at risk" pay for the CEO as well as the "at risk" pay for all other NEOs. Approximately 86% of the CEO's compensation and on average 74% of other NEO's compensation is "at risk".



Note:

(1) "At Risk" Compensation includes Options, shares unit awards and 2015 target bonus: (150% of base salary (CEO); 100% of base salary (COO); 75% of base salary (CFO); 75% of base salary (VP Corporate Development) and 50% of base salary (VP Land).

Below is a further breakdown of CEO and all other NEO compensation by component on an annualized basis. Long-term incentives (RSUs, PSUs and Options) comprise on average approximately 58% of an NEO's total compensation.



Note:
(1) "Bonus" Compensation includes 2015 target bonus: (150% of base salary (CEO); 100% of base salary (COO); 75% of base salary (CFO); 75% of base salary (VP Corporate Development) and 50% of base salary (VP Land).

Summary Compensation Table

The following table sets out annualized compensation paid by the Company to the Named Executive Officers for the fiscal years ended December 31, 2014 and 2015, where total compensation was more than $150,000.

Name and principal position	Year	Salary ($)(1)(2)	Share-based awards ($)(3)	Option-based awards ($)(4)(5)	Non-equity incentive plan compensation		Pension value ($)(7)	All other compensation(8)(12)	Total compensation ($)
					Annual incentive plans $(6)	Long-term incentive plans ($)			
Andrew M. Phillips(9), CEO	2015	400,000	1,500,000	500,000	600,000	-	23,300	-	3,023,300
	2014	233,300	900,000	1,500,000	750,000	-	11,700	-	3,395,000
Cameron M. Proctor, COO(9)	2015	320,000	990,000	330,000	320,000	-	18,700	-	1,978,700
	2014	186,700	750,000	250,000	450,000	-	9,300	-	1,646,000
Pamela P. Kazeil, VP Finance and CFO	2015	177,900	562,500	187,500	133,400	-	10,700	-	1,072,000
	2014	-	-	-	-	-	-	-	-
Michelle Radomski, VP Land	2015	245,000	220,500	279,500	75,000	-	14,300	-	834,300
	2014	6,400	-	-	-	-	300	-	6,700
Cristina T. Lopez(11), VP Corporate Development	2015	300,000	525,000	175,000	150,000	-	17,500	-	1,167,500
	2014	97,100	618,750	206,250	75,000		4,900	-	1,002,000
L. Geoffrey Barlow, Former CFO(12)	2015	62,920	-	-	-	-	2,600	1,498,100	1,563,600
	2014	195,400	693,750	231,250	-	-	9,800	-	1,130,200

Notes:
(1) Base salaries for 2014 are presented as actual amounts paid in the year based on the May 29, 2014 closing date of the IPO other than to Ms. Lopez and Ms. Radomski. Ms. Lopez was appointed as VP Corporate Development on September 3, 2014. Annualized base salaries for 2014 were as follows: Mr. Phillips: $400,000; Mr. Proctor: $320,000; Ms. Lopez: $300,000; and Ms. Radomski: $245,000. Ms. Radomski joined the Company following the acquisition of Range Royalty in December 2014 and was not a NEO during 2014.

(2) Ms. Kazeil was appointed Vice-President, Finance and CFO on June 1, 2015 and Ms. Kazeil's 2015 salary is pro-rated based on her start date. Ms. Kazeil's 2015 annualized base salary was $305,000.

(3) Represents the fair value of RSUs and PSUs awarded to the Named Executive Officer, under the Incentive Plan at the date of grant. The RSU and PSU compensation expenses are accounted for on a fair value basis in accordance with the International Financial Reporting Standards ("**IFRS**") and may be allocated for accounting purposes.

(4) Represents the fair value of Options awarded to the Named Executive Officers, under the Option Plan at the date of grant. The fair value of Options presented may be different from valuation using Black-Scholes model (or other model adopted by the Company in accordance with IFRS).

(5) The 2014 Option value noted for Mr. Phillips includes $300,000 of fair value pursuant to an annual award of Options, plus $1,200,000 of fair value pursuant to a special, one-time sign-on award. The 2015 Option value noted for Ms. Radomski includes $73,500 of fair value pursuant to an annual award of Options, plus $206,000 of fair value pursuant to a special, one-time sign-on award.

(6) 2014 amounts represents the amount of non-equity incentive compensation awarded to the Named Executive Officers in the form of annual cash awards for the 2014 calendar year, prorated based on the Named Executive Officer's start date of February 20, 2014 (CEO), March 31, 2014, (COO), April 11, 2014 (Former CFO) and September 3, 2014 (VP, Corporate Development). Ms. Kazeil's 2015 annual cash award represents a pro-rated amount based on her start date of June 1, 2015. The Company has not awarded any non-equity based long-term incentive plan compensation for the 2014 and 2015 calendar year. See "*Executive Compensation – Compensation Discussion and Analysis – Components of Compensation – Annual Cash Awards (Bonus)*".

(7) The amount of pension value compensation of the Named Executive Officers for the calendar year. See "Executive Compensation – Compensation Discussion and Analysis – Components of Compensation – Retirement Savings Plan".

(8) No property or other personal benefits were provided to the NEOs that are not generally available to all employees, and that in aggregate were worth $50,000 or more, or were worth 10% or more of the NEO's total salary for the year ended December 31, 2014 and December 31, 2015, other than Mr. Barlow as described in Note 12 below.

(9) All amounts paid to Mr. Phillips were in respect of his position as CEO. Mr. Phillips did not receive any compensation for his role as a director of the Company.

(10) During the year ended December 31, 2014, Mr. Proctor was the Vice-President, Legal & Corporate Services. On February 2, 2015, Mr. Proctor was appointed COO.

(11) Ms. Lopez ceased to be an employee of the Company on January 11, 2016. In accordance with the terms of her executive employment agreement, Ms. Lopez was paid severance and her 2014 grant of Options and share unit awards were fully vested upon termination with a multiplier of 1.0x applied to the PSUs held by Ms. Lopez at such time. The total value of such payment was $1,074,805, inclusive of cash payments in respect of vested share unit awards.

(12) Mr. Barlow ceased to be an employee of the Company effective February 24, 2015. In accordance with the terms of his executive employment agreement, Mr. Barlow was paid severance, including the 2014 grant of Options and share unit awards were fully vesting upon his termination with a multiplier of 1.0x applied to the PSUs held by Mr. Barlow at such time. The total value of such payment was $1,315,700, inclusive of severance and cash payments in respect of vested share unit awards. In addition Mr. Barlow exercised 52,557 Options which were vested upon his termination, realizing a benefit of $182,400.

Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth, for each Named Executive Officer, the value of all option-based and share-based awards that were outstanding as of December 31, 2015.

Name and principal position		Option-based awards				Share-based awards		
		Common Shares underlying unexercised Options (#)	Exercise prices of Options ($)	Option expiration dates	Value in unexercised in-the-money Options ($)(1)	Number of RSUs and PSUs that have not vested (#)(2)	Market or payout value of RSUs and PSUs that have not vested ($)(3)	Market Value of RSUs and PSUs not Paid Out ($)(4)(5)
Andrew M. Phillips, CEO	2015	104,734	$30.80	February 25, 2020	-	50,610	1,500,000	1,109,400
	2014	340,909	$28.00	May 29, 2019	-	34,266	900,000	751,100
	Total	445,643	-	-	-	84,876	2,400,000	1,860,500
Cameron M. Proctor, COO	2015	69,124	$30.80	February 25, 2020	-	33,403	990,000	732,200
	2014	56,818	$28.00	May 29, 2019	-	28,555	750,000	625,900
	Total	125,942	-	-	-	61,958	1,740,000	1,358,100
Pamela P. Kazeil, VP Finance & CFO	2015	50,625	$25.90	November 24, 2020	-	21,822	562,500	478,300
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total	50,625	-	-	-	21,822	562,500	478,300
Michelle Radomski, VP Land	2015	58,546	$30.80	February 25, 2020	-	7,440	220,500	163,100
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total	58,546	-	-	-	7,440	220,500	163,100
Cristina T. Lopez, VP Corporate Development(6)	2015	36,657	$30.80	February 25, 2020	-	17,714	525,000	388,300
	2014	46,875	$39.03	Sept. 3, 2019	-	16,762	618,700	367,400
	Total	83,532	-	-	-	34,476	1,143,700	755,700
L. Geoffrey Barlow, Former CFO(7)	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total	-	-	-	-	-	-	-

Notes:

(1) Calculated based on the difference between the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92 and the exercise price of the Options.

(2) None of the RSUs or PSUs granted under the Incentive Plan vested during the year ended December 31, 2015. The value of the share unit awards includes dividend equivalents.

(3) Represents the market value of the RSUs and PSUs on the respective grant date with an assumed multiplier of 1.0x applied to the PSUs.

(4) All RSUs and PSUs are paid out upon vesting, which is anticipated to occur on the third anniversary of the grant date with respect to all PSUs and the 2014 grant of RSUs, and with respect to the 2015 grant of RSUs, vesting is anticipated to occur in ⅓ increments on each of the first, second and third anniversary dates of the grant.

(5) Calculated based on the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92, including dividend equivalents.

(6) Ms. Lopez ceased to be an employee of the Company on January 11, 2016. In accordance with the terms of her executive employment agreement, Ms. Lopez was paid severance and her 2014 grant of Options and share unit awards were fully vested upon termination with a multiplier of 1.0x applied to the PSUs held by Ms. Lopez at such time. The total value of such payment for vested share unit awards was $332,305.

(7) Mr. Barlow ceased to be an employee of the Company effective February 24, 2015. In accordance with the terms of his executive employment agreement, Mr. Barlow was paid severance, including the 2014 grant of Options and share unit awards were fully vested upon his termination with a multiplier of 1.0x applied to the PSUs held by Mr. Barlow at such time. The total value of such payment for vested share unit awards was $737,885. In addition Mr. Barlow exercised 52,557 Options which were vested upon his termination, realizing a benefit of $182,400.

Option-Based Awards and Share-Based Awards — Value Vested or Earned

The following table sets forth for each Named Executive Officer, the value of non-equity incentive plan compensation earned during the year ended December 31, 2015 and Options which vested during the year ended December 31, 2015. No share-based awards granted to the Named Executive Officers have vested during the last calendar year, other than 24,777 share unit awards granted to Mr. Barlow in 2014 were vested and paid out upon termination of his employment with a total value of $737,885.

Name	Options			Non-equity incentive plan compensation – Value earned during the year[(2)] $
	Year of Grant	Number Vested	Value[(1)]	
Andrew M. Phillips, CEO	2014	102,273	Nil	600,000
Cameron M. Proctor, COO	2014	17,045	Nil	320,000
Pamela P. Kazeil, VP Finance & CFO	N/A	N/A	N/A	133,400
Cristina T. Lopez, VP Corporate Development	2014	14,063	Nil	150,000
Michelle Radomski, VP Land	N/A	N/A	N/A	75,000
L. Geoffrey Barlow, Former CFO[(3)]	2014	52,557	$ 182,400	-

Notes:

(1) Nil values are represented given that the Common Share price at December 31, 2015 of $21.92 is less than the $28.00 exercise price applicable to such Options, in the case of Mr. Phillips and Mr. Proctor, and the $39.03 exercise price applicable to Ms. Lopez's Options.

(2) Represents the amount of non-equity incentive compensation awarded to the Named Executive Officers in the form of annual cash awards for the 2015 calendar year, prorated for the CFO based on her start date of June 1, 2015. The Company has not awarded any non-equity based long-term incentive plan compensation for the 2015 calendar year.

(3) Mr. Barlow ceased to be an employee of the Company effective February 24, 2015. In accordance with the terms of his executive employment agreement, Mr. Barlow was paid severance, including the 2014 grant of options and share unit awards were fully vested upon his termination with a multiplier of 1.0x applied to the PSUs held by Mr. Barlow at such time. The total value of such payment for vested share unit awards was $737,885. In addition Mr. Barlow exercised 52,557 Options which were vested upon his termination, realizing a benefit of $182,400.

Termination and Change of Control Benefits

The Company has entered into executive employment agreements with certain of the Named Executive Officers. The terms of such employment agreements are in accordance with current market standards for agreements of a similar nature and include change of control provisions that provide for payment of severance in certain circumstances, which include the aggregate of: (i) the executive's annual base salary, plus (ii) the average annual bonus awarded to the executive over the prior three years, plus (iii) 15% of base salary for the loss of benefits. The severance payment will be calculated based on a notice period multiplier of two for the CEO and one and a half for the CFO, COO and VP Corporate Development (the "**Termination Payment**"). For purposes of the executive employment agreements, termination may be by the Company (other than for cause) or at the election of the Named Executive Officer (within a six month period following a change of control) for any one or more of the following reasons which constitute "good reason": (i) the failure of the Company to agree to perform any material terms of the executive employment agreement; (ii) the Company requiring the executive, without the executive's consent, to be based or perform his employment duties elsewhere than the Company's principal offices in Calgary, Alberta, except for required travel or temporary projects in connection with the Company's business; or (iii) the Company failing to provide or failing to agree to provide the executive with the same or a materially similar or comparable position, responsibilities, duties, compensation and benefits, as described herein, as previously provided to the executive by the Company.

The Company is entitled to terminate the executive employment agreements at any time for just cause and is then obligated to pay such executive's salary (and accrued and unused vacation) through to the termination date. The Company is also entitled to terminate the executive employment agreements at any time for any reason other than just cause and is then obligated to pay to the executive the Termination Payment.

Pursuant to the executive employment agreements, and notwithstanding any term or condition of a grant agreement respecting an RSU/PSU award or Option, in the event of termination of the executive's employment: (i) by the Company without just cause; or (ii) by the executive within six months following a change of control and for "good reason", for outstanding unvested RSUs/PSUs and Options initially granted to the executive upon their hire (which for Mr. Phillips and Mr. Proctor was upon closing of the IPO), such share unit awards and Options shall immediately be fully vested as of the termination date, excluding in the case of Mr. Phillips his one-time sign on award of 272,727 Options. A payout multiplier of 1.0x shall be applied to any such vested PSUs. All such Options held by the executive which are not exercised before the earlier of the expiry date for such Options and the 60th day following the termination date shall be forfeited.

The following chart illustrates the payments that each of the NEOs would receive, in certain circumstances, in the event of their termination as at December 31, 2015. In all events below, subject to contractual agreements, the Board maintains ultimate discretion on all payouts.

Type	Termination Payment	RSUs/PSUs(1)	Options(1)
Termination for Just Cause	None	All awards expire and are cancelled on the termination date	All vested and unvested options expire and are cancelled on the termination date
Termination without Just Cause	(a) Annual base salary, plus (b) the average annual bonus awarded to the executive over the prior three years, plus (c) 15% of base salary for the loss of benefits, with a multiplier as follows: (i) CEO – 2.0x (ii) COO – 1.5x (iii) CFO – 1.5x (iv) VP Corporate Development – 1.5x	First grant of RSUs/PSUs vest and are paid out at market price of common shares, with PSUs at a multiplier of 1.0x	First grant of Options vest and are exercisable for 60 days
Change of Control	None	All awards immediately vest, in the event substitution or replacement securities are not provided	Immediate vesting, in the event substitution or replacement securities are not provided
Change of Control and Termination for "Good Reason"	(a) Annual base salary, plus (b) the average annual bonus awarded to the executive over the prior three years, plus (c) 15% of base salary for the loss of benefits, with a multiplier as follows: (i) CEO – 2.0x (ii) COO – 1.5x (iii) CFO – 1.5x (iv) VP Corporate Development – 1.5x	First grant of RSUs/PSUs vest and are paid out at market price of common shares, with PSUs at a multiplier of 1.0x	First grant of Options vest and are exercisable for 60 days
Resignation	None	All awards are cancelled	All vested and unvested options are cancelled

Note:

(1) First grants of Options and RSUs/PSUs for the CEO (68,182 Options, 21,429 PSUs, 10,714 RSUs) and COO (56,818 Options, 17,857 PSUs, 8,929 RSUs) are the grants made in connection with the IPO on May 29, 2014 (excluding, in the case of Mr. Phillips, his one-time sign on award of 272,727 Options), for the VP Corporate Development means the initial grant of RSUs/PSUs and Options (46,875 Options, 10,569 PSUs, 5,284 RSUs) made upon commencement of her employment on September 3, 2014, and with respect to the CFO means the initial grant of Options and RSU/PSUs granted on November 24, 2015 (50,625 Options, 14,479 PSUs, 7,239 RSUs). Ms. Kazeil's initial RSU/PSU and Option grant was deferred from her start date to November 24, 2015 in accordance with blackout periods implemented pursuant to PrairieSky's Securities Trading and Insider Reporting Policy.

The chart below illustrates the payments that would have been made to each of the NEOs pursuant to their executive employment agreements and the payments that would have been made to the NEOs pursuant to the share unit awards and Options held by them as a result of termination for just cause or resignation, termination without just cause, change of control, termination for "good reason" following a change of control, or death assuming such event occurred on December 31, 2015.

Name	Triggering Event	Payment Pursuant to Employment Agreement	RSU / PSU Payments(1)(2)(4)	Option Value(3)(4)	Total
Andrew M. Phillips	Termination for Just Cause or Resignation	$ 0	$ 0	$ 0	$ 0
	Termination without Just Cause	$ 2,120,000	$ 751,100	$ 0	$2,871,100
	Change of Control	$ 0	$ 1,860,500	$ 0	$1,860,500
	Change of Control and Termination for "Good Reason"	$ 2,120,000	$ 751,100	$ 0	$2,871,100
	Death	$ 0	$ 1,860,500	$ 0	$1,860,500
Cameron M. Proctor	Termination for Just Cause or Resignation	$ 0	$ 0	$ 0	$ 0
	Termination without Just Cause	$ 1,032,000	$ 625,900	$ 0	$1,657,900
	Change of Control	$ 0	$ 1,358,100	$ 0	$1,358,100
	Change of Control and Termination for "Good Reason"	$ 1,032,000	$ 625,900	$ 0	$1,657,900
	Death	$ 0	$ 1,358,100	$ 0	$1,358,100
Pamela P. Kazeil	Termination for Just Cause or Resignation	$ 0	$ 0	$ 0	$ 0
	Termination without Just Cause	$ 869,250	$ 478,300	$ 0	$1,347,550
	Change of Control	$ 0	$ 478,300	$ 0	$ 478,300
	Change of Control and Termination for "Good Reason"	$ 869,250	$ 478,300	$ 0	$1,347,550
	Death	$ 0	$ 478,300	$ 0	$ 478,300
Cristina T. Lopez	Termination for Just Cause or Resignation	$ 0	$ 0	$ 0	$ 0
	Termination without Just Cause	$ 742,500	$ 367,400	$ 0	$1,109,900
	Change of Control	$ 0	$ 755,700	$ 0	$ 755,700
	Change of Control and Termination for "Good Reason"	$ 742,500	$ 367,400	$ 0	$1,109,900
	Death	$ 0	$ 755,700	$ 0	$ 755,700

Notes:

(1) All RSUs/PSUs are valued using the December 31, 2015 closing price of Common Shares of $21.92 and include dividend equivalents at December 31, 2015.

(2) PSUs have been valued using a performance multiplier of 1.0x.

(3) Options have been valued using the December 31, 2015 closing price of $21.92.

(4) Assumes replacement securities underlying the RSUs/PSUs and Options are not available. See "Incentive Award Programs" below.

The maximum liability to the Company provided under all employment agreements and for all outstanding RSUs/PSUs and Options as of December 31, 2015 was approximately $9.2 million.

Name	Severance Multiplier	Salary ($)	Bonus ($)(1)	Benefits and Perquisites ($)	Share Awards ($)(2)	Options Awards ($)	Total Incremental Payment ($)
Andrew M. Phillips, CEO	2.0x	800,000	1,200,000	120,000	1,860,500	-	3,980,500
Cameron M. Proctor, COO	1.5x	480,000	480,000	72,000	1,358,100	-	2,390,100
Pamela P. Kazeil, VP Finance & CFO	1.5x	457,500	343,100	68,600	478,300	-	1,347,500
Cristina T. Lopez(3), VP Corporate Development	1.5x	450,000	225,000	67,500	755,700	-	1,498,200

Notes:

(1) Bonus amounts assume target bonus was achieved. Actual payments are based on an average of bonuses received over a three year trailing period, or if the executive does not have three years of history with the Company, the most recent actual bonus award received.

(2) Assumes that on the effective date of the change of control, any unvested share unit awards and Options vest and become payable or exercisable, respectively. The amounts shown in the table include the value of unvested share unit awards and in-the-money value of Options held by the NEOs which have been calculated based on the closing price of the Common Shares on the TSX on December 31, 2015 of $21.92 in the case of the share unit awards and the difference between the market price of the Common Shares on the TSX on December 31, 2015 and the exercise price of the Options on December 31, 2015 in the case of the Options. The value of the share unit awards includes dividend equivalents.

(3) Ms. Lopez ceased to be an employee of the Company effective January 11, 2016. The total termination payment to Ms. Lopez was $1,074,805.

Directors' Compensation

Except as described below, the directors receive an annual retainer of $30,000 with no additional compensation provided for attending meetings of the Board or any meetings of a committee of the Board. In 2014 and 2015, the Chair of the Board received additional compensation of $20,000 per year, the Chair of the Audit Committee received additional compensation of $15,000 per year and the Chairs of the Governance and Compensation Committee and Reserves Committee each received additional compensation of $10,000 per year.

The Company has adopted a deferred share unit plan (the "**DSU Plan**") for its directors. Except as described below, directors, except for the Chair of the Board, are expected to receive an annual grant of DSUs with a grant date fair market value of $100,000, with the Chair of the Board receiving an annual grant of DSUs in each of 2014 and 2015 with a grant date fair market value of $150,000. This fair market value will be prorated for any partial year, except for the initial grant of DSUs to the directors made upon closing of the Initial Public Offering. Newly appointed or elected directors receive their initial grant of DSUs upon or after joining the Board, unless the Company is under a trading blackout at such time. In cases where trading blackouts exist, the annual DSU grant (or initial DSU grant for newly appointed or elected directors) is postponed until after the trading blackout is lifted. Prior to the start of each year, the Company's directors are able to elect to take all or a portion of their annual retainer and any additional compensation in the form of DSUs. DSUs will vest once they are credited to the director's DSU account and may only be redeemed after the director ceases to be a director of the Company. When a dividend is paid on Common Shares, if any, each director's DSU account will be allocated additional DSUs equal in value to the dividend paid on an equivalent number of Common Shares. When a director ceases to be a director of the Company, by December 15 of the first calendar year following the year that the directorship ceased, a director will be entitled to request redemption of the DSUs following which the value of the redeemed DSUs will be paid to the director in cash on an after-tax basis. The value of the DSUs on any particular date will be calculated by multiplying the number of DSUs in the director's DSU account by the then market value of a Common Share.

The following table sets forth information concerning the annualized compensation paid to the directors during 2015. Mr. Phillips, the CEO, is not included in the following table as he did not receive any compensation (including an annual retainer or grant of DSUs) for serving as a director of the Company.

Name	Fees Earned $[(1)(2)]	Share-based awards ($)[(3)]	Non-equity incentive plan compensation ($)	All other compensation ($)	Total ($)
James M. Estey	60,000	150,000	-	-	210,000
Margaret A. McKenzie	45,000	100,000	-	-	145,000
Sheldon B. Steeves	40,000	100,000	-	-	140,000
Grant A. Zawalsky	30,000	100,000	-	-	130,000

Notes:

(1) Represents the director's annualized retainer and Chair fees for the 2015 calendar year. No additional compensation was provided for attending meetings of the Board or any meetings of a committee of the Board. Directors are able to elect to receive all or a portion of their annual retainer and Chair fees in the form of DSUs.

(2) Mr. Estey is the Chair of the Board and the Chair of the Governance and Compensation Committee, Ms. McKenzie is the Chair of the Audit Committee and Mr. Steeves is the Chair of the Reserves Committee.

(3) Represents the fair market value of the DSUs awarded to the director under the DSU Plan at the time of grant (not including DSUs which a director elected to receive as part of his or her annual retainer and any additional cash compensation). These DSUs vested entirely at the time of grant. The DSU compensation expense is accounted for on a fair value basis in accordance with IFRS.

Director Outstanding Share-Based Awards

The following table sets forth, for each director, except for Mr. Phillips, all share-based awards that were outstanding as of December 31, 2015. Mr. Phillips is not included in the following table as he did not receive any compensation for serving as a director of the Company. No option-based awards have been granted to any directors of the Company.

Name	Share-based awards		
	Number of DSUs that have not vested (#)[(1)]	Market value of DSUs that have not vested $[(1)]	Market value of vested DSUs not paid out $[(2)(3)]
James M. Estey	-	-	330,800
Margaret A. McKenzie	-	-	74,000
Sheldon B. Steeves	-	-	220,600
Grant A. Zawalsky	-	-	96,200

Notes:

(1) All DSUs awarded under the DSU Plan during 2015 vested immediately on grant.

(2) Represents market value of the DSUs on the date of grant.

(3) All Directors elected to receive the entirety of their 2015 annual Board and Committee fees in the form of DSUs, other than Ms. McKenzie who elected to receive her Board retainer and Committee fees of $45,000 in cash.

Director Share-Based Awards — Value Vested or Earned

The following table sets forth for each director, except for Mr. Phillips as he did not receive any compensation for serving as a director of the Company, the value of share-based awards which vested during the year ended December 31, 2015. No option-based awards have been granted to the directors of the Company.

Name	Share-based awards – Value vested during the year[1] ($)
James M. Estey	155,400
Margaret A. McKenzie	74,000
Sheldon B. Steeves	103,600
Grant A. Zawalsky	96,200

Note:
(1) Represents the market price of the Common Shares on the TSX on December 31, 2015 of $21.92 multiplied by the number of DSUs (including dividend entitlements).

Directors Insurance and Indemnification

The Company maintains liability insurance for its directors and officers with coverage and terms that are customary for a company of its size in the industry in which it operates. In addition, the Company has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

Incentive Award Programs

Option Plan

The Company has adopted an option plan (the "**Option Plan**") for its employees, including management. Directors of the Company are not eligible to participate in the Option Plan. The purpose of the Option Plan is to foster a proprietary interest in the Company and provide a long-term incentive element in the overall compensation of management and eligible employees. The Option Plan is administered by the Board (which may delegate its authority to the Governance and Compensation Committee or other committee), which has authority to interpret the Option Plan, including in respect of any Options granted thereunder.

Options to purchase Common Shares ("**Options**") are granted under the Option Plan from time to time to eligible employees. Pursuant to the Option Plan, the maximum number of Common Shares that may be issued pursuant to the exercise of Options granted under the Option Plan is limited, in the aggregate, to 10% of the issued and outstanding Common Shares (on a non-diluted basis) at any time, less the number of Common Shares reserved for issuance at such time pursuant to any other security based compensation arrangement of the Company (including the Incentive Plan). Provided that such maximum number of Common Shares is not exceeded, following the exercise, expiration, cancellation or other termination of any Options under the Option Plan, a number of Common Shares equal to the number of Options or rights so exercised, expired, cancelled or terminated shall automatically become available for issuance in respect of Options that may subsequently be granted under the Option Plan.

Pursuant to the Option Plan, the maximum number of Common Shares that may be issued to insiders of the Company under the Option Plan is 10% of the total issued and outstanding Common Shares (calculated on a non-diluted basis) at the date of grant, less the aggregate number of Common Shares reserved for issuance to insiders under any other security based compensation arrangement of the Company (the "**Aggregate Insider Option Limit**"). The maximum number of Common Shares that may be issued to any individual holder under the Option Plan is 5% of the number of issued and outstanding Common Shares (calculated on a non-diluted basis) at the date of grant, less the aggregate number of Common Shares reserved for issuance to such holder under any other security based compensation arrangement of the Company (the "**Individual Option Limit**"). In addition, the maximum number of Common Shares that may be issued to any one insider of the Company under the Option Plan within a one year period is the Individual Option Limit, excluding Common Shares issued to the insider under the Option Plan or any other securities based compensation arrangement during the preceding one year period, and the maximum number of Common Shares that may be issued to insiders of the Company under the Option Plan within a one year period is the Aggregate Insider Option Limit, excluding Common Shares issued to insiders of the Company under the Option Plan or any other securities based compensation arrangement during the preceding one year period.

Under the Option Plan, the Board has the power to determine the time or times when Options will be granted, vest and become exercisable (including in connection with any Transaction, as described below). The Option Plan provides that the expiry date of an Option will be no more than the date which is five years from the date of grant of such Option. However, if the original expiry date of an Option occurs during, or within 10 business days of the end of, a Company-imposed securities trading blackout applicable to a holder of Options, then the expiry date is extended to be the 10^{th} business day after the expiry of the blackout period. Although not prescribed in the Option Plan, except in certain circumstances, the Board is expected to provide for gradual vesting periods for each grant of Options, in proportions determined by the Board, with the first portion vesting on the date that is one year after the date of grant, another portion vesting on the second anniversary of the date of grant and a final portion vesting on the third anniversary of the date of grant. The exercise price of an Option must be no less than the closing price of the Common Shares on the TSX on the last business day preceding the date on which the Options is approved by the Board (or where the approval occurs during a blackout period, the tenth business day after the expiry of the blackout period).

If the Company completes any merger, amalgamation, arrangement, business combination or sale of all or substantially all of its assets and undertaking, or is the subject of a take-over bid, or participates in any similar transaction (any of the foregoing referred to as a "**Transaction**"), and as a result of such Transaction the holders of Common Shares receive securities of another issuer (the "**Continuing Entity**") in full substitution or replacement for the Common Shares ("**Replacement Securities**"), the Options will be adjusted so that the holder would receive such number of Replacement Securities as he or she would have received as a result of such Transaction if the holder had exercised his or her Options to purchase Common Shares prior to the completion of the Transaction and had held such Common Shares on the effective date of such Transaction. However, if: (i) the Continuing Entity does not (or, upon the occurrence of the Transaction, will not) substitute or replace, or the nature of the Transaction does not provide for the full substitution or replacement of, the securities issuable upon the exercise of Options outstanding under the Option Plan on the above described terms; (ii) the Board determines, acting reasonably, that such substitution or replacement is not practicable or impairs or does not substantially preserve the rights of the holders of Options; (iii) the Board determines, acting reasonably, that such substitution or replacement would give rise to adverse tax results to holders of Options; or (iv) the Replacement Securities are not (or, upon the occurrence of the Transaction, will not be) listed and posted for trading on a recognizable stock exchange; the outstanding Options will become fully vested and may be exercised by the holder prior to, but conditional upon the consummation of, the Transaction. Any Options that have not been exercised will be forfeited and cancelled without compensation to the holder thereof upon the consummation of such Transaction. If for any reason such Transaction is not consummated, any Common Shares purchased by the Option holder upon the exercise of an Option for the purposes of participating in the Transaction or whose vesting has been accelerated pursuant to these provisions will be cancelled and returned to the Company, will be added back to the number of Common Shares, if any, remaining unexercised under the Option, and the Company will refund to the Option holder all consideration paid by it to exercise those Options.

The Option Plan contains standard adjustment and anti-dilution provisions for changes in the capital structure of the Company.

Additionally, the Option Plan contains a "cashless exercise" feature, which provides that, unless the Board determines otherwise at any time, an Option holder may elect to exercise an Option by surrendering such Option in exchange for the issuance of Common Shares equal to the number determined by dividing (i) the difference between the market price on the date of exercise and the exercise price of such Option by (ii) the market price of the Common Shares at the date of exercise. If a holder utilizes this "cashless exercise" feature, the full number of Common Shares underlying the Options exercised will be deducted from the number of Common Shares reserved for issuance under the plan.

An Option is personal to the holder and is non-transferable and non-assignable. The Option Plan does not provide for or contemplate the provision of financial assistance to facilitate the exercise of Options and the issuance of Common Shares. If the employment of an Option holder with the Company is terminated by either party for any reason (other than termination for just cause or, generally, the voluntary resignation of the holder, in which cases the Options expire immediately upon the holder ceasing to provide active services to the Company), the Options held by such individual must be exercised within 60 days of such termination, following which the Options will expire. Also, if the employment of an Option holder with the Company is terminated by reason of death, disability or retirement, unless determined by the Board otherwise, all outstanding Options held by such holder will become fully vested and may be exercised by the holder or his or her personal representative at any time after termination date but prior to the expiry date of such Option.

The Option Plan states that the Board may, at any time without the approval of the shareholders and the holders of any other voting securities of the Company, suspend, discontinue or amend the Option Plan or any Option. However, the Board may not, without the approval of a majority of the holders of Common Shares and the holders of other voting securities of the Company and the approval of the TSX, amend the Option Plan or an Option to: (i) increase the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the Option Plan; (ii) make any amendment that would reduce the exercise price of an outstanding Option (including a cancellation and reissue of an Option that constitutes a reduction of the exercise price); (iii) extend the expiry date of any Option granted under the Option Plan beyond the expiry date of the Option determined at the date of grant, except as provided for with respect to an expiry date that occurs during a blackout period, as described above; (iv) expand the categories of individuals who are eligible to participate in the Option Plan; (v) amend the Option Plan to permit the transfer or assignment of Options, except to permit a transfer to a family member, an entity controlled by the holder of the Options or a family member, a charity, or for estate planning or estate settlement purposes; or (vi) amend the amendment provisions of the Option Plan; in each case unless the change to the Option Plan or an Option results from the application of provisions in the Option Plan relating to mergers, business combinations, take-over bids or similar transactions or to the anti-dilution provisions.

The maximum number of Common Shares issuable on exercise is limited to the Company's approved share reserve of 22,822,066 shares. The details of the Company's 2014 and 2015 Option grants are below.

Year	Options Granted	Grant Price(1)	Shares Outstanding at Year End	Options Granted as a % of Shares Outstanding
2015	354,686	$ 30.10	228,220,662	0.2%
2014	528,978	$ 29.01	149,328,486	0.4%

Note:
(1) For 2015 the grant price represented an average price of: (i) 269,061 Options granted effective February 25, 2015 with an exercise price of $30.80; (ii) 35,000 Options granted effective March 3, 2015 with an exercise price of $30.88; and (iii) 50,625 Options granted effective November 24, 2015 with an exercise price of $25.90.

As of December 31, 2015 the Company has outstanding Options representing less than one percent of the Company's total shares outstanding and 3% of the approved share reserve.

Shares Outstanding at Year End	Approved Share Reserve	Share Reserve as a % of Shares Outstanding	Options Outstanding at Year End	Options Outstanding as a % of Shares Outstanding	Options Outstanding as a % of Approved Reserve
228,220,662	22,822,066	10%	793,288	0.3%	3%

Options granted to the Named Executive Officers in 2015 represent approximately 25% of the grant date value of their annual long-term incentive grant. The grant date value of Options granted to the Named Executive Officers in the 2015 fiscal year is included under the "*Option-Based Awards*" column in the Summary Compensation Table.

Incentive Plan

The Company has adopted a share unit incentive plan (the "**Incentive Plan**") for its employees, including management. The Incentive Plan was amended effective April 27, 2015, following approval of the Company's shareholders, to allow the Company to settle share unit awards with Common Shares subject to certain exceptions. The purpose of the Incentive Plan is to align the interests of the employees with those of shareholders and to assist the Company in attracting and retaining the talent it requires. The Incentive Plan is administered by the Board (which may delegate its authority to the Governance and Compensation Committee or other committee), which has authority to interpret the Incentive Plan, including any questions in respect of any restricted share units ("**RSUs**") or performance share units ("**PSUs**") (the RSUs and PSUs are collectively referred to herein as "**share unit awards**") granted thereunder. The Board has the authority to amend or terminate the Incentive Plan at any time, in whole or in part, subject to certain exceptions. The share unit awards granted thereunder are not assignable.

Share unit awards initially have a notional value equivalent to the value of a Common Share. RSUs vest and are paid out no more than three years from the date of the grant, provided the recipient remains employed with the Company on such date, and subject to certain other events described below. No payment may be made upon settlement of the RSUs on a date following the Outside Date. Upon vesting, each RSU will be paid out in cash or Common Shares at the election of the Governance and Compensation Committee and if paid in cash, will have a value equal to the five day weighted average trading price for the Common Shares immediately prior to the vesting date. If the Governance and Compensation Committee elects to pay out the RSUs in Common Shares, the Company will issue the number of fully paid and non-assessable Common Shares underlying such share unit awards subject to adjustments for dividends (as described below) and other corporate actions.

PSUs also vest and are paid out no more than three years after the date of the grant, provided the recipient remains employed with the Company on such date, and subject to certain other events described below. No payment may be made upon settlement of the PSUs on a date following the Outside Date. At the time of payout, the Board will apply a "payout multiplier" to the PSU grant which may increase or decrease the amount of the payout relative to the target award. The payout multiplier may range from zero to 2.0 and will be determined by the Board, in its sole discretion, based on the Company's performance, relative to a performance target set at the time of grant, over the vesting period. Upon vesting, each PSU will be paid out in cash or Common Shares and if paid in cash will have a value equal to the five-day weighted average trading price for the Common Shares immediately prior to the vesting date, as adjusted for the payout multiplier. If the Governance and Compensation Committee elects to pay out the PSUs in Common Shares, the Company will issue the number of fully paid and non-assessable Common Shares underlying such share unit awards subject to adjustments for dividends (as described below) and other corporate actions.

Payouts of vested share unit awards will also include consideration for dividends paid on the Common Shares over the vesting period by notionally reinvesting the dividends in the share unit awards. All share unit awards which do not vest will be forfeited and cancelled.

The Incentive Plan contains limits on the number of Common Shares that may be issued to participants during specified periods of time. In particular: (i) the maximum number of Common Shares that may be issued to any one individual participant under the Incentive Plan may not exceed 5% of the issued and outstanding Common Shares as of the date of the grant of the share unit award, less the aggregate number of Common Shares reserved for issuance under any of the Company's other security based compensation arrangements (the "**Individual Limit**"); and (ii) the maximum number of Common Shares that may be issued to "Insiders" (as defined in the *Securities Act* (Alberta)) as a whole may not exceed 10% of the issued and outstanding Common Shares as of the date of the grant of the share unit award, less the aggregate number of Common Shares reserved for issuance under any of the Company's other security based compensation arrangements (the "**Aggregate Insider Limit**"). The maximum number of Common Shares that may be issued to Insiders as a whole under the Incentive Plan within a one year period shall be the Aggregate Insider Limit, excluding Common Shares issued to Insiders as a whole under the Incentive Plan or any other security based compensation arrangement over the preceding one year period. The maximum number of Common Shares that may be issued to any one Insider under the Incentive Plan and any other security based compensation arrangement within a one year period shall be the Individual Limit, excluding Common Shares issued to such Insider under the Incentive Plan or any other security based compensation arrangement over the preceding one year period.

The Incentive Plan also provides that the aggregate number of Common Shares reserved for issuance under the Incentive Plan (together with any Common Shares reserved for issuance under the Company's other security based compensation arrangements) shall not exceed 10% of the issued and outstanding Common Shares.

Further, the Incentive Plan provides for the extension of the payment date of a share unit award, where the payment date for such award occurs during, or within 10 business days of the end of a Company-imposed trading blackout applicable to the relevant participant. In such cases, the payment date shall be extended to the 10th business day after the expiry of the blackout period provided that in any case; such payment date cannot be later than December 31 in the third calendar year after which such share unit award was granted (the "**Outside Date**"). Where the Outside Date of share unit awards occurs during the trading blackout, payment of such awards will be made in cash.

Pursuant to the terms of the Incentive Plan, the Board may, at any time, without the approval of the shareholders suspend, discontinue or amend the Incentive Plan or a share unit award made thereunder, provided that the Board may not, without the approval of the holders of a majority of Common Shares and other voting securities of the Company present and voting in person or by proxy at a meeting of shareholders, amend the Incentive Plan or a share unit award to: (i) increase the number of Common Shares, or the percentage of the issued and outstanding Common Shares, issuable pursuant to the Incentive Plan; (ii) make any amendment that would remove or increase the Aggregate Insider Limit; (iii) make any amendment that would increase the number of Common Shares issuable pursuant to outstanding share unit awards (including a cancellation and reissue of a share unit award that constitutes an increase in the number of Common Shares underlying the share unit award); (iv) extend the payment date of any share unit award granted under the Incentive Plan beyond the payment date of the share unit award determined at the date of grant in accordance with the Incentive Plan, except with respect to a payment date that occurs during a blackout period; (v) expand the categories of individuals contained in the definition of "Eligible Person" who are eligible to participate in the Incentive Plan; (vi) amend the Incentive Plan to permit the transfer or assignment of share unit awards, except to permit a transfer to a family member, an entity controlled by the grantee or a family member, a charity or for estate planning or estate settlement purposes; or (vii) amend the amendment provision of the Incentive Plan.

As at March 11, 2016, Options to purchase 1,061,822 Common Shares were outstanding (approximately 0.5% of the issued and outstanding Common Shares) and 510,010 Common Shares were issuable pursuant to outstanding share unit awards (approximately 0.2% of the issued and outstanding Common Shares). See "*Securities Authorized for Issuance under Equity Compensation Plans*".

Under the Incentive Plan, in case of an employee's retirement, death or disability, the Company will make a payment to such employee or his or her legal representatives in respect of share unit awards held by the employee equal to the target amount of any such share unit awards at the date of grant. In addition, if an employee's employment is terminated by reason of voluntary resignation or for just cause, all awards granted to such employee under the Incentive Plan will be terminated and all rights to receive payments thereunder will be forfeited by the employee. If an employee's employment is terminated by the Company without just cause, the employee will only be entitled to payments in respect to such share unit awards for which the vesting date occurs prior to the termination date of employment. These provisions are subject to any alternative arrangements that may be contained in a separate grant agreement or employment agreement between the Company and a particular employee. See "*Executive Compensation – Compensation Discussion and Analysis – Termination and Change of Control Benefits*".

If the Company completes a Transaction, and as a result of such Transaction the holders of Common Shares receive Replacement Securities of a Continuing Entity in full substitution or replacement for the Common Shares, all share unit awards will remain outstanding with appropriate adjustments made to (i) the number of Replacement Securities notionally underlying the share unit awards held by each holder, and (ii) dividends paid on the Common Shares (as replaced by the Replacement Securities) during the term of such share unit awards, in each case to appropriately account for, and provide economic equivalence based on, the exchange ratio of Replacement Securities issued for Common Shares. In addition, following any Transaction where the share unit awards remain outstanding, the minimum payout multiplier applicable to those share unit awards upon vesting will be 1.0. However, if: (i) the Continuing Entity does not (or, upon the occurrence of the Transaction, will not) substitute or replace, or the nature of the Transaction does not provide for the full substitution or replacement of, the Common Shares with Replacement Securities on the above described terms; (ii) the Board determines, acting reasonably, that such substitution or replacement is not practicable or does not substantially preserve the rights of the holders of share unit awards; (iii) the Board determines, acting reasonably, that such substitution or replacement would give rise to adverse tax results to holders of share unit awards; or (iv) the Replacement Securities are not (or, upon the occurrence of the Transaction, will not be) listed and posted for trading on a recognizable stock exchange; then the holder will receive a cash payment in respect of all outstanding share unit awards in respect of which payment has not been made (whether or not otherwise vested or payable), conditional upon the Transaction being completed. Such cash payment will be based on the market value of the Common Shares on the effective date of the Transaction and, in the case of PSUs, be adjusted for the payout multiplier factor based on the performance period ended on the effective date of the Transaction, and, in the case of PSUs and RSUs, taking into account dividends declared by the Company up to the effective date of the Transaction.

During the 2015 calendar year PSUs and RSUs granted to the Named Executive Officers represented 50% and 25%, respectively, of the grant date value of their annual long-term incentives grant. The grant date value of PSUs and RSUs granted to the Named Executive Officers in fiscal 2015 is included under the "*Share-Based Awards*" column in the Summary Compensation Table.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

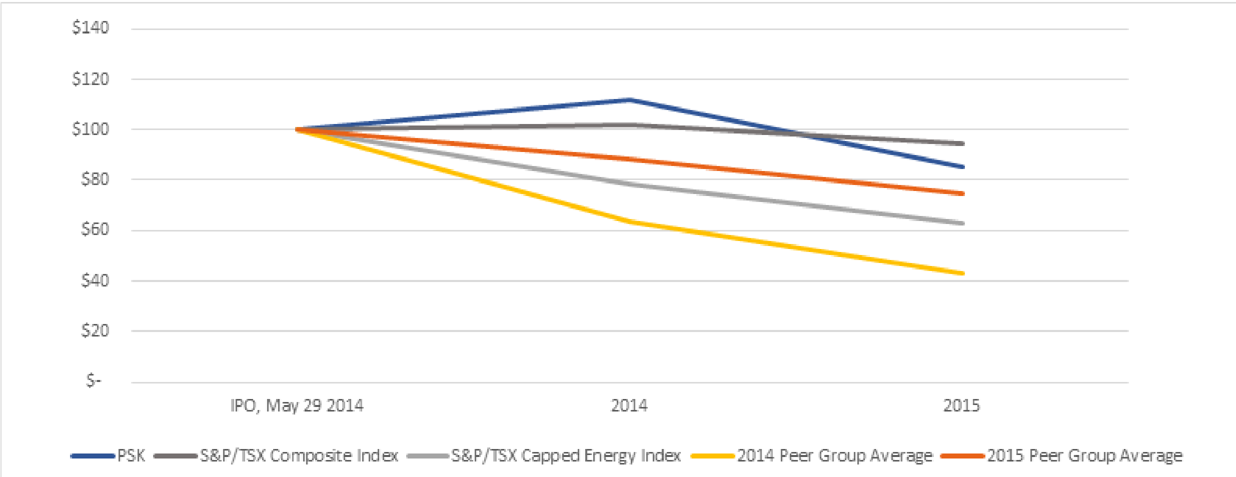
The following sets forth information in respect of securities authorized for issuance under PrairieSky's equity compensation plans as at December 31, 2015.

Plan Category	# of Common Shares to be issued upon exercise of outstanding rights	% of total Common Shares to be issued upon exercise of outstanding rights	Weighted average exercise price of outstanding rights ($)	# of available Common Shares available for future issuance under equity compensation plans	% of Common Shares available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	1,139,199	0.5	29.57	21,682,867	95%
Equity compensation plans not approved by securityholders	N/A	N/A	N/A	N/A	N/A
Total	1,139,199	0.5	29.57	21,682,867	95%

Notes:
(1) As at December 31, 2015, there were Options to purchase 793,288 Common Shares granted under the Option Plan with an average exercise price of $29.57 and a weighted average remaining life of 3.80 years. As at March 11, 2016, there were Options to purchase 1,061,822 Common Shares outstanding under the Option Plan with an average exercise price of $26.99 and a weighted average remaining life of 3.96 years.
(2) As at December 31, 2015, there were 345,911 Common Shares issuable pursuant to outstanding share unit awards pursuant to the Incentive Plan. As at March 11, 2016, there were 510,010 Common Shares issuable pursuant to outstanding share unit awards.
(3) The total dilution from our long-term incentive plans is limited to 10% of the outstanding Common Shares.

PERFORMANCE GRAPH

The graph below compares the performance of the Company since its IPO on May 29, 2014 (with all dividends reinvested) to the S&P/TSX Composite Index, the S&P/TSX Capped Energy Index, the 2014 Peer Group and the 2015 Peer Group, each starting with an investment of $100 on May 29, 2014.



	May 29, 2014	December 31, 2014	December 31, 2015
PrairieSky Royalty Ltd.	$ 100	$ 112	$ 86
S&P/TSX Composite Index	$ 100	$ 102	$ 94
S&P/TSX Capped Energy Index	$ 100	$ 78	$ 63
2014 Peer Group Average	$ 100	$ 64	$ 43
2015 Peer Group Average	$ 100	$ 88	$ 75

PrairieSky's focus is on long-term shareholder value and providing returns to shareholders in an industry subject to commodity price cycles. Since May 29, 2014, the Company's return was −14.4%, greater than its 2014 and 2015 Peer Group averages and the S&P/TSX Capped Energy Index, but lower than the S&P/TSX Composite Index. Total direct compensation for our Named Executive Officers is generally aligned with shareholders as a substantial portion of total direct compensation is linked to PrairieSky's share price.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any Informed Person of the Company (as defined in NI 51-102) or proposed director or any known associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction that has materially affected or would materially affect us or any of our subsidiaries.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Company is not aware of any material interest of any director or executive officer or anyone who has held office as such since the beginning of our last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, save as is disclosed herein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this information circular and proxy statement relate to matters that are not historical facts and may constitute forward-looking statements. These statements are identified by the use of words such as “could”, “should”, “anticipate”, “expect”, “will”, “may” and similar expressions and statements. These statements are based on certain assumptions and analysis made by PrairieSky in light of its experience and its perception of historical trends and expected future developments as well as other factors it believes are appropriate in the circumstances. Whether actual results, performance or achievements will conform to PrairieSky's expectations is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from PrairieSky's expectations.

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, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. The foregoing and other risks are described in more detail in PrairieSky’s Management's Discussion and Analysis and Annual Information Form for the year ended December 31, 2015 under the heading “Risk Management” and “Risk Factors”, respectively, each of which is available at *www.sedar.com*.

Further, any forward-looking statement is made only as of the date of this information circular and proxy statement, and PrairieSky undertakes no obligation to update or revise any forward-looking statement 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 statements contained in this information circular and proxy statement is expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

PrairieSky undertakes to provide, upon request, a copy of the year end 2015 Financial Statements and Management's Discussion and Analysis, as well as a copy of the AIF, subsequent interim financial statements and this information circular and proxy statement. Our AIF also contains disclosure relating to our audit committee and the fees paid to KPMG LLP in 2015. Copies of these documents may be obtained on request without charge from PrairieSky Royalty Ltd. at 1700, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, telephone (587) 293-4000 or our website *www.prairiesky.com* or by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at *www.sedar.com*.

OTHER MATTERS

Management of the Company knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

The contents and the sending of this information circular and proxy statement have been approved by our directors.

Dated: March 11, 2016

APPENDIX "A"

PRAIRIESKY ROYALTY LTD.

BOARD OF DIRECTORS' MANDATE

The fundamental responsibility of the board of directors (the "**Board**") of PrairieSky Royalty Ltd. (the "**Company**") is to appoint a competent senior management team and to oversee the management of the business and affairs of the Company, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal controls. In carrying out its mandate, the Board shall:

Senior Management Responsibility

- Appoint the President & Chief Executive Officer ("**CEO**") and members of senior management of the Company, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of senior management's responsibilities.
- Ensure that a process is established that adequately provides for succession planning, including appointing, training and monitoring of senior management.
- Establish limits of authority delegated to senior management.

Operational Effectiveness and Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the Company's business.
- Ensure that a system is in place to identify the principal risks to the Company and that the best practical procedures are implemented to monitor, manage and mitigate the risks.
- Ensure that processes are in place to address applicable regulatory, corporate, securities and other compliance matters.
- Ensure that an adequate system of internal control and management information systems exists.
- Ensure that due diligence processes and appropriate controls are in place with respect to applicable certification requirements regarding the Company's financial, reserves and other disclosure.
- Upon recommendation of the audit committee of the Board, review and approve the Company's financial statements and oversee the Company's compliance with applicable audit, accounting and reporting requirements.
- Upon recommendation of the reserves committee of the Board, review and approve the content and filing of the annual disclosure of the Company's oil and gas activities, including reports and statements required under National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (as implemented by the Canadian Securities Administrators and as amended from time to time).
- Approve annual budgets.

- Review and consider for approval all amendments or departures proposed by senior management from established strategy, budgets or matters of policy which diverge from the ordinary course of business of the Company.
- Review the financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Approve a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a Business Code of Conduct for directors, officers, employees and contractors, and monitor compliance with the Business Code of Conduct and approve any waivers of the Business Code of Conduct for officers and directors.
- Satisfy itself of the integrity of the CEO and the other members of senior management and that the CEO and other members of senior management create a culture of integrity throughout the organization.

Board Process/Effectiveness

- Ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to such meetings. Directors are expected to attend all meetings and to review Board materials in advance of each meeting.
- Engage in the process of determining Board member qualifications, with the assistance of the Governance and Compensation Committee, including ensuring that a majority of directors qualify as independent directors within the meaning attributed to such term in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time).
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance, including practices to ensure the Board functions independently of management, as well as developing a set of corporate governance principles and guidelines.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the Audit Committee Mandate on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it accurately reflects the responsibilities and risks involved in being a director.
- Each member of the Board is expected to understand the nature of the Company's business, and have an awareness of the political, economic and social trends prevailing in the areas in which the Company invests, or is contemplating potential investment.
- The Board shall meet regularly without the participation of those directors who are members of the Company's management.

- Adhere to all other Board responsibilities as set forth in the Company's articles and by-laws, the Company's Business Code of Conduct and any related policies, practices and guidelines, as approved and implemented by the Board and senior management from time to time, and other statutory and regulatory obligations.

  - <u>Miscellaneous</u>

The Board may engage outside resources as deemed advisable.

The Board shall review this mandate on a periodic basis.

Effective April 11, 2014