

**PRAIRIESKY ROYALTY LTD.**

**DEFERRED SHARE UNIT PLAN  
FOR OFFICERS**

**Effective November 29, 2019**

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. PREAMBLE AND DEFINITIONS .....	1
2. CONSTRUCTION AND INTERPRETATION .....	3
3. ELIGIBILITY.....	3
4. DEFERRED SHARE UNIT GRANTS.....	3
5. ACCOUNTS, DIVIDEND EQUIVALENTS AND REORGANIZATION .....	4
6. REDEMPTION.....	4
7. CURRENCY .....	6
8. SHAREHOLDER RIGHTS .....	6
9. ADMINISTRATION.....	6
10. ASSIGNMENT .....	6

### Schedules:

Schedule A	Participation Agreement
Schedule B	Redemption Notice

**PRAIRIESKY ROYALTY LTD.  
DEFERRED SHARE UNIT PLAN FOR OFFICERS  
(Effective November 29, 2019)**

**1. PREAMBLE AND DEFINITIONS**

**1.1 Title**

The Plan herein described shall be called the "Deferred Share Unit Plan for Officers" of PrairieSky Royalty Ltd.

**1.2 Purpose of the Plan**

The purpose of the Plan is to assist the Corporation to attract and retain individuals with experience and ability to act as officers and employees of the Corporation and to promote a proprietary interest in the Corporation and a greater alignment of interests between Officers and the shareholders of the Corporation.

**1.3 Definitions**

1.3.1 **"Affiliate"** means an affiliate of the Corporation as the term "affiliate" is defined in paragraph 3 of Canada Revenue Agency Interpretation Bulletin IT-337R3, *Retiring Allowances*.

1.3.2 **"Blackout Period"** means a trading blackout period imposed by the Corporation.

1.3.3 **"Board"** means the board of directors of the Corporation.

1.3.4 **"Cease Trade Date"** has the meaning ascribed thereto in Section 6.6.

1.3.5 **"Change of Control"** means or shall be deemed to have occurred if and when:

(a) the purchase or acquisition of any shares or convertible securities of the Corporation by a Person, which results in such Person beneficially owning, or exercising control or direction over, any shares or convertible securities of the Corporation, such that, assuming only the conversion of convertible securities beneficially owned or over which control or direction is exercised by the Person, the Person would beneficially own, or exercise control or direction over, shares of the Corporation carrying the right to cast more than 50% of the votes attaching to all shares of the Corporation; or

(b) approval by the shareholders of the Corporation of: (A) an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another Corporation(s) pursuant to which the shareholders of the Corporation immediately thereafter do not own shares of the successor or continuing Corporation which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the successor or continuing Corporation which may be cast to elect directors of the Corporation; (B) the liquidation, dissolution or winding-up of the Corporation; or (C) the sale or

disposition of all or substantially all of the assets of the Corporation;  
or

- (c) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in subsections (a) and (b) in this clause.

- 1.3.6 **"Committee"** means the Governance and Compensation Committee of the Board.
- 1.3.7 **"Corporation"** means PrairieSky Royalty Ltd. and any successor corporation whether by amalgamation, merger or otherwise.
- 1.3.8 **"Deferred Share Unit"** means a bookkeeping entry on the books of the Corporation, the value of which on any particular date shall be equal to the Market Value.
- 1.3.9 **"Deferred Share Unit Account"** has the meaning ascribed thereto in Section 5.1.
- 1.3.10 **"Employment Agreement"** means, where applicable, a written employment agreement, change of control agreement or similar written agreement between the Corporation and the applicable Officer.
- 1.3.11 **"Market Value"** means, with respect to a particular date, the closing price for a Share on the Stock Exchange on the Trading Day immediately prior to that date or, in the event of the Cease Trade Date, such other value as may be determined pursuant to Section 6.3.
- 1.3.12 **"Officer"** means any officer of the Corporation who is a full time officer of the Corporation or any subsidiary of the Corporation eligible for participation in the Plan as determined by the Board from time to time.
- 1.3.13 **"Officer's Termination Date"** means the later of: (i) the date that the Officer ceases to actively perform the usual and customary day-to-day duties of the Officer's position or job with the Corporation; and (ii) the end of any working notice period applicable to the termination of such Officer's employment with the Corporation, whether statutory, at common law or pursuant to any agreement (including any Employment Agreement) between the Corporation and such Officer.
- 1.3.14 **"Person"** includes an individual, partnership, association, body corporate, trust, trustee, executor, administrator or legal representative, and **"Persons"** means a group of more than one Person.
- 1.3.15 **"Redemption Date"** has the meaning ascribed thereto in Section 6.1.
- 1.3.16 **"Retirement"** means the retirement of an Officer from employment with the Corporation in accordance with the retirement policy of the Corporation;

1.3.17 **"Share"** means a common share of the Corporation and such other share as is substituted therefore as a result of amendments to the articles of the Corporation, reorganization or otherwise, including any rights that form a part of the common share or substituted share but not including any other rights that are attached thereto and trade therewith or any other share that is added thereto.

1.3.18 **"Stock Exchange"** means the Toronto Stock Exchange, or if the Shares are not listed on the Toronto Stock Exchange, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.

1.3.19 **"Trading Day"** means any date on which the Stock Exchange is open for the trading of Shares and on which one or more Shares actually traded.

## 2. **CONSTRUCTION AND INTERPRETATION**

2.1 In the Plan, references to the masculine shall include the feminine; references to the singular shall include the plural and vice versa, as the context shall require.

2.2 The Plan shall be governed and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

2.3 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

2.4 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

## 3. **ELIGIBILITY**

3.1 The Corporation is establishing the Plan for Officers, effective as of the date first stated above.

3.2 Nothing herein contained shall be deemed to give any person the right to be retained as an Officer of the Corporation or an employee of the Corporation.

## 4. **DEFERRED SHARE UNIT GRANTS**

4.1 The Board, subject to the rules of any regulatory body having jurisdiction, may from time to time grant Deferred Shares Units to an Officer. The participation of an Officer in the Plan shall be evidenced by a written agreement between the Corporation and the eligible Officer in the form of Schedule A hereto.

4.2 The Committee may, in its sole discretion, determine the time during which Deferred Share Units shall vest and the method of vesting, or that no vesting restriction shall exist.

## 5. ACCOUNTS, DIVIDEND EQUIVALENTS AND REORGANIZATION

- 5.1 An account, to be known as a "Deferred Share Unit Account" shall be maintained by the Corporation for each Officer participating in the Plan and will be credited with notional grants of Deferred Share Units received by an Officer.
- 5.2 Whenever cash dividends are paid on the Shares, additional Deferred Share Units will be credited to the Officer's Deferred Share Unit Account. The number of such additional Deferred Share Units will be calculated by dividing the dividends that would have been paid to such Officer if the Deferred Share Units recorded in the Officer's Deferred Share Unit Account as at the record date for the cash dividend had been Shares by the Market Value on the date on which the dividends are paid on the Shares. Notwithstanding the foregoing, following a Cease Trade Date, the value of a Share used to calculate the number of additional Deferred Share Units under this Section 5.2 shall be the value determined on a reasonable and equitable basis by the Board. Where the date on which dividends are deemed paid on the Deferred Share Units falls on a date which is within a Blackout Period, then the deemed dividend payment date shall automatically occur and be effective on the second Trading Day immediately following the end of such Blackout Period to permit the Market Value to be determined on a Trading Day which occurs immediately following the end of any such Blackout Period.
- 5.3 In the event of any stock dividend, stock split, combination or exchange of shares, merger, arrangement, re-organization, re-capitalization, consolidation, spin-off or other distribution (other than normal cash dividends) of Corporation assets to shareholders or any other similar changes affecting the Shares, such proportionate adjustments, to reflect such change or changes shall be made with respect to the number of Deferred Share Units outstanding under the Plan, all as determined by the Board in its sole discretion.
- 5.4 For greater certainty, no amount will be paid to, or in respect of, an Officer under the Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to an Officer to compensate for a downward fluctuation in the Market Value of the Shares, nor will any other form of benefit be conferred upon, or in respect of, an Officer for such purpose.

## 6. REDEMPTION

- 6.1 If an Officer ceases to be an employee of the Corporation for any reason other than as a result of such Officer's employment with the Corporation being terminated by the Corporation for Just Cause (as defined in the applicable Employment Agreement) or the Officer voluntarily resigns as an employee of the Corporation (other than Retirement), all Deferred Share Units granted herein shall become vested and the value of all the Deferred Share Units credited to an Officer's Deferred Share Unit Account shall be redeemable by the Officer (or, where the Officer has died, his estate) at the Officer's option (or, after the Officer's death, at the option of his legal representative) following the Officer's Termination Date in accordance with Section 6.3.
- 6.2 If an Officer ceases to be an employee of the Corporation as a result of such Officer's employment with the Corporation being terminated by the Corporation for Just Cause

(as defined in the applicable Employment Agreement) or the Officer voluntarily resigns as an employee of the Corporation (other than Retirement), the value of all vested Deferred Share Units credited to an Officer's Deferred Share Unit Account shall be redeemable by the Officer following the Officer's Termination Date in accordance with Section 6.3. All unvested Deferred Share Units on the Officer's Termination Date shall be cancelled and be of no further force and effect.

- 6.3 In order to redeem Deferred Share Units following an Officer's Termination Date, the Officer (or after the Officer's death, his legal representative) shall, by filing a written notice of redemption in the form of Schedule B hereto with the Secretary of the Corporation, specify a redemption date (the "**Redemption Date**"), which, in any event, must be after the date on which the notice of redemption is filed with the Corporation and within fifteen business days of the Officer's Termination Date. If a notice of redemption is not filed within the fifteen business days following the Officer's Termination Date, the Deferred Share Units shall be, and shall be deemed to be, redeemed on the fifteenth business day.
- 6.4 Upon a Change of Control, all the Deferred Share Units granted herein shall become vested and the value of all Deferred Share Units credited to an Officer's Deferred Share Unit Account shall be redeemable by the Officer following the Officer's Termination Date in accordance with Section 6.3.
- 6.5 The value of the Deferred Share Units redeemed by or in respect of an Officer pursuant to Section 6.1 or 6.2 shall be the Market Value on the Officer's Redemption Date and shall be paid to the Officer (or, if the Officer has died, to his estate) in the form of a lump sum cash payment, net of any applicable withholdings, as soon as practicable after the Officer's Redemption Date; provided that, other than following a Change of Control, the Corporation shall have the ability, in its sole discretion, to defer payment of such lump sum cash payment to a date that is no later than December 31 of the first calendar year commencing after the Officer's Termination Date and the Officer shall have no right or entitlement to receive such payment until the date so determined.
- 6.6 In the event that the Officer's Redemption Date is after the date on which the Shares ceased to be traded on the Stock Exchange, provided such cessation in trading is not reasonably expected to be temporary (the "**Cease Trade Date**"), the value of the Deferred Share Units redeemed by or in respect of the Officer pursuant to Section 6.1 or 6.2 shall be determined in accordance with the following:
- (a) where the Officer's Termination Date is before or not more than 365 days after the last Trading Day before the Cease Trade Date, the value of each vested Deferred Share Unit credited to the Officer's Deferred Share Unit Account at his Redemption Date shall be equal to the Market Value on the last Trading Day before the Cease Trade Date;
  - (b) where the Officer's Termination Date is after the date that is 365 days after the last Trading Day before the Cease Trade Date, the value of each vested Deferred Share Unit credited to the Officer's Deferred Share Unit Account at his Redemption Date shall be based on the fair market value of a Share of the Corporation at the Redemption Date as is determined on a reasonable and equitable basis by the Board after receiving the advice of one or more independent firms of investment bankers of national repute.

The value of an Officer's Deferred Share Units determined in accordance with paragraph (a) or (b) of this Section 6.6, as applicable, shall be paid to the Officer (or, if the Officer has died, to his estate) in the form of a lump sum cash payment, net of any applicable withholdings as soon as practicable after the Officer's Redemption Date, provided that, other than following a Change of Control, the Corporation shall have the ability, in its sole discretion, to defer payment of such lump sum cash payment to a date that is no later than December 31 of the first calendar year commencing after the Officer's Termination Date and the Officer shall have no right or entitlement to receive such payment until the date so determined.

**7. CURRENCY**

7.1 All references in the Plan to currency refer to lawful Canadian currency.

**8. SHAREHOLDER RIGHTS**

8.1 Deferred Share Units are not Shares or other securities of the Corporation and will not entitle an Officer to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation.

**9. ADMINISTRATION**

9.1 Unless otherwise determined by the Board, the Plan shall remain an unfunded and unsecured obligation of the Corporation.

9.2 Unless otherwise determined by the Board, the Plan shall be administered by the Committee.

9.3 The Plan may be amended or terminated at any time by the Board, except as to rights already accrued hereunder by the Officers. Notwithstanding the foregoing, any amendment or termination of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the Income Tax Regulations or any successor provision thereto.

9.4 The Corporation will be responsible for all costs relating to the administration of the Plan.

**10. ASSIGNMENT**

10.1 The assignment or transfer of the Deferred Share Units, or any other benefits under this Plan, shall not be permitted other than by operation of law.

\* \* \* \*



## Schedule A

### PARTICIPATION AGREEMENT

I hereby confirm that, as of the date written below, I am an officer of PrairieSky Royalty Ltd. (the "**Corporation**") and acknowledge that I have been granted Deferred Share Units ("**DSUs**") under Section 4.1 of the Deferred Share Unit Plan for Officers (the "**Plan**" of the Corporation subject to and in accordance with the terms of the Plan.

I confirm that:

1. I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.
2. I understand that my DSUs granted under the Plan may not be redeemed until I am no longer an Officer or employee of the Corporation or an Affiliate.
3. I recognize that when DSUs credited pursuant to the Plan are redeemed in accordance with the terms of the Plan after I am no longer an Officer or employee of the Corporation or an Affiliate, income tax and other withholdings as required will arise at that time. Upon redemption of the DSUs, the Corporation will make all appropriate withholdings as required by law at that time.
4. The value of DSUs are based on the value of the common shares of the Corporation from time to time and therefore are not guaranteed.
5. No funds will be set aside to guarantee the payment of DSUs. Future payment of DSUs will remain an unfunded and unsecured liability recorded on the books of the Corporation.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan text which governs in the case of conflict or inconsistency with this Participation Agreement. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise defined herein.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of Officer)

\_\_\_\_\_  
(Signature of Officer)

**DSU Grant Details**

**Grant Date:** •

**Total Number of DSUs:** •

<b><u>Number of DSUs</u></b>	<b><u>Vesting Date</u></b>

**Schedule B**

**REDEMPTION NOTICE**

Pursuant to Section 6.1 or 6.2 of the Deferred Share Unit Plan for Officers (the "**Plan**") of PrairieSky Royalty Ltd. (the "**Corporation**"), I hereby advise the Corporation that I wish to redeem all the Deferred Share Units credited to my account under the Plan, which, in any event, must be after the date on which the notice of redemption is filed with the Corporation and within fifteen business days of the Officer's Termination Date.

\_\_\_\_\_

Date

\_\_\_\_\_

(Name of Officer)

\_\_\_\_\_

(Signature of Officer)

If the Redemption Notice is signed by a legal representative, documents providing the authority of such signature must be provided to the Corporation.