

PRAIRIESKY ROYALTY LTD.

STOCK DIVIDEND PROGRAM

PURPOSE

The Stock Dividend Program (the "**SDP**") allows eligible holders ("**Shareholders**") of common shares ("**Shares**") of PrairieSky Royalty Ltd. ("**PrairieSky**") to receive payment of dividends in the form of Shares. Shareholders who elect to receive stock dividends will receive additional Shares at a 1% discount to the Average Market Price, which is identical to the price at which Shares are issued from treasury to Canadian resident Shareholders under PrairieSky's dividend reinvestment plan (the "**DRIP**"), and may benefit from certain tax efficiencies.

DEFINITIONS

"**Average Market Price**" means the arithmetic average of the daily volume weighted average trading prices of the Shares on the TSX, calculated by dividing the total value of Shares traded on the TSX by the total volume of Shares traded on the TSX for the trading days in the Trading Period.

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

"**CDS Participants**" refers to brokers, investment dealers, financial institutions or other nominees in their capacity as participants in the CDS depository service who hold Shares registered in the name of CDS on behalf of eligible beneficial owners of Shares.

"**DTC**" means The Depository Trust & Clearing Corporation.

"**Participants**" refers to eligible registered Shareholders who, on the applicable record date for a stock dividend, are enrolled in the SDP (provided that a reference to Participants shall only refer to CDS or DTC to the extent CDS or DTC is participating in the SDP on behalf of eligible beneficial Shareholders and to brokers, investment dealers, financial institutions or other nominees to the extent such brokers, investment dealers, financial institutions or other nominees have enrolled or are participating in the SDP on behalf of eligible beneficial Shareholders).

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

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

"**TSX**" means the Toronto Stock Exchange.

ADVANTAGES

The SDP allows Shareholders to accumulate additional Shares issued from PrairieSky's treasury on, in certain cases, a more tax-efficient basis as compared to the DRIP. The adoption by PrairieSky of the SDP should not be construed as a guarantee that future dividends will continue to be paid by PrairieSky or as to the amount of future dividend payments. The Board of Directors of PrairieSky (the "**Board**") routinely evaluates PrairieSky's dividend policy, and any decision to pay dividends on the Shares will be made by the Board on the basis of the relevant conditions existing at the applicable time.

Many of the provisions of the SDP are contained within the terms of the Shares included in PrairieSky's articles (the "**Articles**") and are summarized in this document. To the extent there is any conflict between the terms of the SDP outlined in this document and the Share terms contained in the Articles, the Share terms contained in the Articles shall prevail and govern.

New Shares issued pursuant to the Program will be issued directly by PrairieSky to the Program Agent on behalf of the Participants. Accordingly, no commissions, service charges or brokerage fees are payable by Participants in connection with the new Shares issued from treasury under the SDP. Beneficial owners of Shares who wish to participate in the SDP should consult their broker, investment dealer, financial institution or other nominee who holds their Shares to enquire as to what fees (if any) their broker, investment dealer, financial institution or other nominee may charge to enroll or participate in the program on their behalf.

ADMINISTRATION

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

Dividends in respect of Shares that are held under the SDP by the Program Agent for the account of a Participant are automatically received as stock dividends in accordance with the SDP. Please note, though, that new Shares received by CDS Participants will not be held under the SDP by the Program Agent but will instead be credited to the accounts of such CDS Participants through CDS.

PARTICIPATION

The SDP is available to most Shareholders as described below.

The SDP is available to Shareholders that are resident in the United States or "US Persons" as defined in Regulation S adopted under the *Securities Act of 1933*, as amended, provided that the Shareholder is not a resident in the state of California or any other state where the issuance of securities under the SDP would not qualify for a self-executing exemption or exclusion from registration under the securities law of the applicable state.

The SDP is not available to a holder of Shares who is a participant in the DRIP.

Shareholders who are participants in the DRIP will not be automatically enrolled in the SDP. Furthermore, if a Shareholder is a participant in the DRIP then the Shareholder is also required to terminate their participation in the DRIP before the Shareholder can enrol in the SDP. Information in respect of termination of participation in the DRIP can be obtained by contacting the Program Agent. See "Notices" below for additional contact information.

Registered Shareholders who are willing to accept the payment of future dividends declared by the Board in the form of Shares are eligible to join the SDP at any time, except as described above. A registered Shareholder becomes a Participant by downloading an enrolment form (a "**Stock Dividend Enrolment Form**") at www.tmxequitytransferservices.com and completing and delivering it to the Program Agent at least five (5) business days prior to the relevant dividend record date. The Stock Dividend Enrolment Form will permit such Shareholders to confirm that they will accept the stock dividend share (as defined herein) as payment of the dividend on all or a stated number of their Shares entitled to receive such dividend. A Stock Dividend Enrolment Form will remain in effect for all dividends declared on the Shares to which it relates and which are held by the registered Shareholder.

Notwithstanding the foregoing, CDS, DTC and other similar depositories, as registered Shareholders, may participate in the SDP and elect to receive stock dividends on behalf of beneficial Shareholders who hold Shares through their broker, investment dealer, financial institution or other nominee and the respective depository services by communicating appropriate election and enrolment instructions to the Program Agent in accordance with standard and customary industry practices.

Beneficial owners of Shares whose Shares are not registered in their own names should contact their broker, investment dealer, financial institution or other nominee who holds their Shares to request information regarding participation in the SDP on their behalf while maintaining the Shares in such nominee's account. Beneficial Shareholders may not directly confirm their acceptance of stock dividends in respect of those Shares with the Program Agent, but must instead either:

- (i) make appropriate arrangements with the broker, investment dealer, financial institution or other nominee who holds their Shares to confirm acceptance of stock dividends on their behalf, either as a nominee that delivers a completed and executed Stock Dividend Enrolment Form to the Program Agent or, if applicable, as a CDS or DTC participant by providing the appropriate instructions to CDS or DTC, as applicable, within the time frames required by such depositories. Where eligible beneficial holders wish to enrol in the SDP through their broker, investment dealer, financial institution or other nominee, CDS participants must, on behalf of beneficial holders, elect online through CDSX no later than 5:00 p.m. (Toronto time) on the applicable dividend record date; or
- (ii) transfer the Shares such that they are registered in their own name and then confirm acceptance of stock dividends in respect of such Shares directly.

Beneficial owners of Shares should contact the broker, investment dealer, financial institution or other nominee who holds their Shares to provide instructions regarding their acceptance of stock dividends and to inquire about any applicable deadlines that the nominee may impose or be subject to. By confirming their willingness to receive stock dividends and enrolling in the SDP, a beneficial holder (or where such confirmation or enrolment is made by a nominee on behalf of a beneficial Shareholder, the applicable nominee) will be deemed to represent and warrant to PrairieSky and the Program Agent that the beneficial Shareholder has made such confirmation, election and enrolment prior to the record date for the relevant stock dividend.

PAYMENT OF STOCK DIVIDENDS

Dividends are declared in an amount expressed in dollars per Share and, for Shareholders who confirm they will receive dividend payments in Shares, will be paid by way of issuance of a fraction of a Share ("**stock dividend share**") per outstanding Share determined by dividing the dollar amount of the dividend per Share by 99% of the Average Market Price.

PRICE OF NEW SHARES

The Shares issued to Participants as stock dividends will be issued at a price equal to 99% of the Average Market Price computed to six decimal places.

FRACTIONAL ENTITLEMENTS

Fractional Shares, which might otherwise have been payable to Participants by reason of a stock dividend, will be issued to the Program Agent as the agent of such Shareholders (a "**Participating Shareholder**" which, for clarity, only refers to registered Shareholders and not to beneficial Shareholders). The Program Agent will credit to an account for each Participating Shareholder all fractions of a Share amounting to less than one whole Share issued by PrairieSky to a Participating Shareholder by way of stock dividends. From time to time, when the fractional interests in a Share held by the Program Agent for the account of a Participating Shareholder are equal to or exceed in the aggregate one additional whole Share, the Program Agent will cause an additional whole Share to be registered in the name of the Participating Shareholder. For clarity, stock dividends will be paid on fractional Shares held by the Program Agent for the account of a Participant.

The crediting of fractional Shares (or payment of cash in lieu of fractional Shares) to beneficial owners who receive stock dividends on Shares held through a broker, investment dealer, financial institution or other nominee will depend on the policies of that broker, investment dealer, financial institution or other nominee.

A Shareholder that ceases to be a registered holder of one or more Shares is entitled to receive payment in cash equal to the value of the fractional Share held by the Program Agent for the account of the Shareholder. The value of the fractional share would be calculated by reference to the value assigned to the Shares for purposes of the last stock dividend paid by PrairieSky prior to the date of payment to the former registered Shareholder.

COSTS

No commissions, service charges or brokerage fees are payable by Participants in connection with receiving stock dividends under the SDP. All administrative costs of the SDP, including the fees and expenses of the Program Agent, will be borne by PrairieSky. However, Participants who enrol in the SDP through a broker, investment dealer, financial institution or other nominee may be subject to fees in accordance with their nominee.

ACCOUNTS AND REPORTS TO PARTICIPANTS

An account will be maintained by the Program Agent for each Participating Shareholder. Each Participating Shareholder's account will include information with respect to the number of whole and fractional Shares registered or held in the name of the Participating Shareholder on the record date for the stock dividend, as well as the number of additional whole and fractional stock dividend shares to which the Participating Shareholder has become entitled by reason of the stock dividend. Unaudited statements of account will be mailed to each Participating Shareholder for each stock dividend payment. Beneficial Shareholders will continue to receive reports with respect to their holdings of Shares and receipt of stock dividends from the broker, investment dealer, financial institution or other nominee through whom their Shares are held.

SHARE CERTIFICATES

A certificate representing the number of whole stock dividend shares registered in the name of a Participant as a result of a stock dividend will only be provided upon request in writing to the Program Agent.

TERMINATION OF PARTICIPATION

For registered Shareholders, a Stock Dividend Enrolment Form will remain in effect for all dividends declared on the Shares to which it relates and which are held by the registered Shareholder, unless the Shareholder delivers a termination notice to the Program Agent, in which case the Stock Dividend Enrolment Form will not be effective for any dividends having a record date that is more than five (5) business days following the receipt of the termination notice by the Program Agent.

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

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

Beneficial holders who have made appropriate arrangements with their broker, investment dealer, financial institution or other nominee to accept stock dividends on their behalf and who no longer wish to receive stock dividends should contact the broker, investment dealer, financial institution or other nominee to inquire about how to effect this change and any applicable deadlines.

TAXATION OF STOCK DIVIDENDS

Participation in the SDP will have income tax consequences to Shareholders who receive stock dividends that are different from the income tax consequences applicable to cash dividends.

All Shareholders should consult their own tax advisors for advice with respect to the tax consequences of participation in the SDP based on their particular circumstances.

DISPOSITION OF SHARES HELD IN CERTIFICATE FORM

If a Participant sells or transfers all of his or her Shares held in certificate form that are enrolled in the SDP, the Program Agent will continue to receive the stock dividends that are being paid on the Shares being held for the Participant in the SDP until a notice of termination is received by the Program Agent. For clarity, the Shares held in certificate form and sold or transferred by the Participant will not continue to receive the stock dividends.

RISK OF MARKET PRICE FLUCTUATIONS

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

RIGHTS OFFERING

In the event that PrairieSky makes available to Shareholders rights to subscribe for additional Shares or other securities, rights and certificates will be issued by PrairieSky to each Participant in respect of whole Shares held in a Participant's account under the SDP on the record date for such rights issue. Such rights will not be made available for any fraction of a Share held for a Participant.

SUBDIVISIONS

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

SHAREHOLDER VOTING

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

AUTHORITY TO SELL STOCK DIVIDEND SHARES

PrairieSky has the right to sell, or require the Program Agent to sell, all or any part of the stock dividend shares or any fraction thereof, through the facilities of the TSX or other stock exchange on which the Shares are listed for trading if: (i) PrairieSky has reason to believe that tax should be withheld and remitted to a taxation authority in respect of any stock dividend paid or payable to a Shareholder in Shares, in which case PrairieSky would or could cause the Program Agent to pay the sale proceeds to such taxation authority for the purposes of remitting the applicable tax, with any balance not remitted in payment of tax being payable to the Shareholder; or (ii) PrairieSky has reason to believe that the payment of a stock dividend to any holder thereof who is resident in or otherwise subject to the laws of a jurisdiction outside Canada might contravene the laws or regulations of such jurisdiction, or could subject PrairieSky to any penalty thereunder or any legal or regulatory requirements not otherwise applicable to PrairieSky, in which case the cash sale proceeds would be delivered to the Shareholder.

RESPONSIBILITIES OF PRAIRIESKY AND THE PROGRAM AGENT

Neither PrairieSky nor the Program Agent shall be liable for any act undertaken or omitted in good faith, or have any duties, responsibilities or liabilities except as are expressly set forth in the SDP or are required by law. In particular, PrairieSky and the Program Agent must comply with all applicable laws now and or hereafter in force

that may impose a duty to permit any properly authorized party to have access to and examine and make copies of any records relating to the SDP.

Participants should recognize that neither PrairieSky nor the Program Agent can assure a profit or protect against a loss on the Shares acquired under the SDP.

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

The Program Agent retains the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Program Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline.

PrairieSky reserves the right to deny access to the SDP to any investors who in the discretion of the Board are acquiring Shares solely for the purpose of exploiting the arbitrage opportunities of participation in the SDP. Further, at any time upon becoming aware that a Shareholder is participating or attempting to participate in the SDP primarily with a view to arbitrage trading or as more than one plan participant, including without limitation by registering the Shares beneficially held by such Shareholder in multiple names and addresses or in variations of the same name and address or in a manner contrary to the provisions of the SDP, will take such actions as are appropriate, including without limitation to consolidate such participation to one plan participant or terminate such Shareholder's participation in the SDP.

AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

PrairieSky reserves the right to amend, suspend or terminate the SDP at any time, but such action shall have no retroactive effect that would prejudice the interests of the Participants. All amendments to the SDP will be subject to the prior approval of the TSX. All Participants will be sent written notice of any such amendment, suspension or termination. In the event of termination of the SDP by PrairieSky, the SDP Agent will send to the Participants or to their brokers or nominees, as applicable, share certificates for whole Shares held for Participants' accounts under the SDP (which may contain a legend indicating restrictions on the resale of the Shares) and cheques in payment for any remaining fractions of Shares in Participants' accounts, any payment in cash equal to the value of the fractional Share held by the Program Agent for the account of the Participant.

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

NOTICES

All notices to be given to a Participant in the SDP will be mailed to the Participant at the most recent address shown on the records of the Program Agent.

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

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

Attention: Dividend Reinvestment Department
Telephone: 1-866-393-4891
Email: tmxeinvestorservices@tmx.com
www.tmxequitytransferservices.com

Notices to PrairieSky Royalty Ltd. shall be sent to:

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

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

EFFECTIVE DATE

The effective date of the SDP is April 28, 2015.