



PrairieSky Royalty Ltd.

## Interim Condensed Financial Statements

(unaudited)

For the three months ended March 31, 2015

## CONDENSED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME (UNAUDITED)

(\$ millions, except per share amounts)	Three months ended March 31, 2015
<b>Revenue</b>	
Royalty revenue	\$ 43.6
Other revenue	10.8
Revenue before expenses	54.4
<b>Expenses</b>	
Freehold mineral taxes	2.2
Depreciation, depletion and amortization (Note 8)	23.9
Exploration and evaluation (Note 9)	0.4
Administrative (Note 4)	7.5
Net Earnings before finance items and income taxes	20.4
<b>Finance Items</b>	
Finance income	(0.3)
Finance expense	0.1
<b>Net Earnings Before Income Tax</b>	<b>20.6</b>
Income tax expense (Note 5)	3.8
<b>Net Earnings and Comprehensive Income</b>	<b>\$ 16.8</b>
<b>Net Earnings per Common Share</b> (Note 12)	
Basic and Diluted	\$ 0.11

See accompanying Notes to Interim Condensed Financial Statements

## CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(\$ millions)		As at March 31, 2015	As at December 31, 2014
<b>Assets</b>			
Current Assets			
Cash and cash equivalents		\$ 50.8	\$ 63.1
Accounts receivable and accrued revenues	(Note 6)	80.2	67.1
Prepaid expense		0.2	0.4
		<b>131.2</b>	130.6
Royalty Assets, net	(Note 8)	510.2	532.6
Exploration and Evaluation Assets	(Note 9)	110.4	107.8
Other Assets	(Note 10)	10.4	11.2
Goodwill		336.8	336.8
		<b>\$ 1,099.0</b>	<b>\$ 1,119.0</b>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities			
Accounts payable and accrued liabilities	(Note 11)	\$ 53.7	\$ 23.1
Income tax payable		4.4	20.3
Dividend payable	(Note 12)	16.2	15.8
		<b>74.3</b>	59.2
Share-based Compensation Payable	(Note 13)	1.7	1.4
Deferred Income Taxes		90.4	94.4
		<b>166.4</b>	155.0
<b>Shareholders' Equity</b>			
Shareholders' capital	(Note 12)	1,181.1	1,181.0
Reserve from common control		(255.7)	(255.7)
Paid in surplus		0.9	0.7
Retained earnings		6.3	38.0
<b>Total Shareholders' Equity</b>		<b>932.6</b>	964.0
<b>Commitments</b>	(Note 17)		
<b>Subsequent event</b>	(Note 18)		
		<b>\$ 1,099.0</b>	<b>\$ 1,119.0</b>

See accompanying Notes to Interim Condensed Financial Statements

## CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(\$ millions)	Shareholders' Capital	Reserve from Common Control	Paid In Surplus	Retained Earnings	Total Shareholders' Equity
<b>Balance at December 31, 2014</b>	\$ 1,181.0	\$ (255.7)	\$ 0.7	\$ 38.0	\$ 964.0
Net earnings	-	-	-	16.8	16.8
Shares issued (Note 12)	0.1	-	(0.1)	-	-
Share-based compensation (Note 13)	-	-	0.3	-	0.3
Dividends on common shares (Note 12)	-	-	-	(48.5)	(48.5)
<b>Balance at March 31, 2015</b>	\$ 1,181.1	\$ (255.7)	\$ 0.9	\$ 6.3	\$ 932.6

(\$ millions)	Shareholders' Capital	Reserve from Common Control	Paid In Surplus	Retained Earnings	Total Shareholders' Equity
<b>Balance at December 31, 2013</b>	\$ -	\$ -	\$ 0.1	\$ -	\$ 0.1
Net earnings	-	-	-	-	-
<b>Balance at March 31, 2014</b>	\$ -	\$ -	\$ 0.1	\$ -	\$ 0.1

## CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(\$ millions)	Three months ended March 31, 2015
<b>Operating Activities</b>	
Net earnings	\$ 16.8
Depreciation, depletion and amortization (Note 8)	23.9
Exploration and evaluation (Note 9)	0.4
Deferred income taxes (Note 5)	(4.0)
Share-based compensation, net of cash settlements (Note 13)	1.3
Other non-cash item	(1.5)
Net change in other assets	0.8
Net change in non-cash working capital (Note 16)	1.2
<b>Cash From Operating Activities</b>	<b>38.9</b>
<b>Investing Activities</b>	
Acquisitions (Notes 8, 9)	(3.0)
<b>Cash Used in Investing Activities</b>	<b>(3.0)</b>
<b>Financing Activities</b>	
Dividends on common shares (Note 12)	(48.2)
<b>Cash Used in Financing Activities</b>	<b>(48.2)</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(12.3)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>63.1</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 50.8</b>

See accompanying Notes to Interim Condensed Financial Statements

## 1. NATURE OF OPERATIONS

PrairieSky Royalty Ltd. (“PrairieSky” or the “Company”) is focused on: (i) strategically leasing oil and gas fee lands; and (ii) acquiring additional lands or interests, in each case to generate royalties.

The Company was incorporated under the *Business Corporations Act* (Alberta) under the name 1786071 Alberta Ltd. on November 27, 2013. On April 11, 2014, the Company filed articles of amendment to change its name to “PrairieSky Royalty Ltd.”. The Company had no significant operating activity from the date of incorporation until May 27, 2014, when it acquired a royalty business (the “Acquisition”). The Company’s shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the stock symbol “PSK”. The location of the head and registered office of the Company is Suite 1900, 411 – 1 Street S.E., Calgary, Alberta, T2G 4Y5.

## 2. BASIS OF PRESENTATION

### A) STATEMENT OF COMPLIANCE

These unaudited Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Condensed Financial Reporting” and have been prepared following the same accounting policies and methods of computation as the audited annual Financial Statements. Certain information and disclosures normally included in the audited annual Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been condensed or omitted. Accordingly, these Interim Condensed Financial Statements should be read in conjunction with the audited annual Financial Statements for the period ended December 31, 2014, which have been prepared under IFRS as issued by the International Accounting Standards Board (“IASB”).

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

These unaudited Interim Condensed Financial Statements were authorized for issuance by the Company’s Audit Committee on April 27, 2015.

### B) ESTIMATES

The timely preparation of the unaudited Interim Condensed Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

In preparing these unaudited Interim Condensed Financial Statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Financial Statements as at and for the period ended December 31, 2014.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS

### **New Standards Issued Not Yet Adopted**

On May 28, 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” which is the result of the joint project with Financial Accounting Standards Board (“FASB”). The new standard replaces the two main recognition standards IAS 18, “Revenue” and IAS 11, “Construction Contracts”. The new standard provides a five step model framework as a core principal upon which an entity recognizes revenue and becomes effective January 1, 2017. The Company is currently assessing the potential impact of the standard on the Company’s Financial Statements.

On July 24, 2014, the IASB issued IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". The new standard introduces new requirements for the classification and measurement of financial assets and liabilities. Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 amends the impairment model by introducing a new model for calculating impairment and includes a new hedge accounting model that better reflects risk management activities in the financial statements of entities that elect to apply hedge accounting. IFRS 9 will apply retrospectively, for annual periods beginning on or after January 1, 2018 and early adoption is permitted. The new standard and amendments are not expected to have a material impact on the Company's Financial Statements.

#### 4. ADMINISTRATIVE EXPENSE

		Three months ended March 31, 2015
Salaries and benefits		\$ 4.3
Share-based compensation	(Note 13)	2.0
Office expense		0.9
Public company expense		0.2
Information technology and other		0.1
		<b>\$ 7.5</b>

#### 5. INCOME TAXES

		Three months ended March 31, 2015
Current tax expense		\$ 7.8
Deferred tax recovery		(4.0)
<b>Income tax expense</b>		<b>\$ 3.8</b>

#### 6. ACCOUNTS RECEIVABLE AND ACCRUED REVENUES

	As at March 31, 2015	As at December 31, 2014
Trade receivables and accrued revenues	\$ 43.8	\$ 61.4
Freehold mineral taxes receivable	33.0	2.0
Current portion of note receivable	(Note 10) 3.4	3.7
	<b>\$ 80.2</b>	<b>\$ 67.1</b>

Trade receivable and accrued revenues relate to lease and royalty payments receivable. The analysis of accounts receivable and accrued revenues that are past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired	
			4 - 6 Months	7 - 12 Months
As at December 31, 2014	\$ 67.1	\$ 60.7	\$ 5.5	\$ 0.9
<b>As at March 31, 2015</b>	<b>\$ 80.2</b>	<b>\$ 72.2</b>	<b>\$ 6.6</b>	<b>\$ 1.4</b>

As at March 31, 2015 and December 31, 2014, there was no allowance or provisions made for doubtful accounts. In determining the recoverability of trade receivables that are past due but not impaired, the Company considers the age of the outstanding receivable and the credit worthiness of the counterparties. See Note 15 for further information about credit risk.

## 7. BUSINESS COMBINATION

On December 19, 2014, PrairieSky acquired a private limited partnership and a private corporation acting as its general partner (collectively, "Private Co.") in exchange for 19.3 million Common Shares, valued at the December 19, 2014 closing price of \$32.35 per share. On December 19, 2014, Private Co. was amalgamated with the Company.

Acquiring Private Co. provided PrairieSky with additional royalty production, royalty lands and strategic expansion into the province of Saskatchewan.

During the three month period ended March 31, 2015, measurement period adjustments subsequent to the acquisition date resulted in an increase in acquired working capital of \$2.4 million, a decrease to goodwill of \$1.1 million and an increase to the deferred tax liability of \$1.3 million. The adjustments represent new information relating to estimates originally made in the preliminary determination of values. The Company does not anticipate any further adjustment in subsequent periods.

### Consideration:

Issuance of 19.3 million common shares of PrairieSky	\$	625.3
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### Net Assets Acquired:

Working capital	\$	9.8
Royalty assets		364.6
Exploration and evaluation assets		94.8
Debt		(24.5)
Goodwill		279.0
Deferred income taxes		(98.4)
<b>Net assets acquired</b>	<b>\$</b>	<b>625.3</b>

The debt assumed in the business combination was repaid from existing cash on hand immediately following the closing of the acquisition and Private Co.'s credit facility was cancelled.

The value attributed to the royalty assets acquired was determined with reference to cash flow multiples for similar transactions.

The value attributed to the exploration and evaluation assets was determined with reference to recent undeveloped land acquisitions in close proximity to the interests purchased.

The goodwill is attributable to synergies achieved from integrating Private Co. into the Company's existing business due to the increase in royalty land position and alignment to the Company's strategic objective to expand its portfolio of royalties and lands with future prospects. The addition of professionals with royalty expertise also contribute to the administrative and operational synergies.

## 8. ROYALTY ASSETS, NET

	As at March 31, 2015	As at December 31, 2014
<b>Cost</b>		
Net book value, beginning of period	\$ 532.6	\$ -
Assets transferred on May 27, 2014	-	181.2
Other acquisitions	1.5	11.6
Acquisition of Private Co.	-	364.6
Balance, end of period	534.1	557.4
<b>Accumulated Depreciation, Depletion and Amortization</b>		
Depreciation, depletion and amortization	(23.9)	(24.8)
<b>Net book value, end of period</b>	<b>\$ 510.2</b>	<b>\$ 532.6</b>

## 9. EXPLORATION AND EVALUATION ASSETS

	As at March 31, 2015	As at December 31, 2014
<b>Cost</b>		
Balance, beginning of period	\$ 107.8	\$ -
Assets transferred on May 27, 2014	-	6.8
Other acquisitions	3.0	6.2
Acquisition of Private Co.	-	94.8
Land expiries and write-offs	(0.4)	-
Balance, end of period	\$ 110.4	\$ 107.8

During the period ended March 31, 2015, the Company exchanged lease issuance bonus proceeds for exploration and evaluation assets valued at \$1.5 million.

## 10. OTHER ASSETS

At March 31, 2015, other assets relates to a royalty note receivable of \$13.7 million payable in equal monthly instalments over the next four years bearing annual interest of four percent per annum. The current portion of the note receivable of \$3.4 million is included in accounts receivable and accrued revenues as disclosed in Note 6. The estimated fair value of other assets is categorized within Level 2 of the fair value hierarchy and has been determined based on market information where available using estimated interest rates based on the credit quality of the customer. As at March 31, 2015, the royalty note receivable had a fair value of \$13.9 million.

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2015	As at December 31, 2014
Trade payables	\$ 3.4	\$ 4.1
Freehold mineral taxes payable	48.0	13.9
Accrued liabilities	2.3	5.1
	<b>\$ 53.7</b>	<b>\$ 23.1</b>

Accrued liabilities primarily includes amounts related to share-based compensation accruals and salary related accruals.



## 12. SHARE CAPITAL

### AUTHORIZED

The authorized share capital of the Company includes an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series. The holders of the Common Shares are entitled to one vote in respect of each Common Share held at all meetings of shareholders, except meetings at which only holders of a specified class of share have the right to vote.

### ISSUED AND OUTSTANDING

	As at March 31, 2015		As at December 31, 2014	
	Number of Shares (millions)	Amount (\$ millions)	Number of Shares (millions)	Amount (\$ millions)
Common Shares Outstanding, Beginning of Year	149.3	\$ 1,181.0	25.0	\$ -
Share consolidation	-	-	(25.0)	-
Issued pursuant to stock option exercise	-	0.1	-	-
Issued pursuant to the Acquisition	-	-	130.0	555.7
Issued pursuant to Private Co. Acquisition	-	-	19.3	625.3
Common Shares Outstanding, End of Period	149.3	\$ 1,181.1	149.3	\$ 1,181.0

### DIVIDENDS

On March 17, 2015, the Company announced the approval of a dividend reinvestment plan (“DRIP”), which allows shareholders to direct cash dividends to be reinvested in additional Common Shares that will be issued at 99% of the volume weighted average price of the Common Shares traded on the TSX during the last five trading days preceding the relevant dividend payment date or acquired at prevailing market rates.

During the three months ended March 31, 2015, PrairieSky paid dividends of \$0.32246 per Common Share totaling \$48.2 million. On March 17, 2015, the Board declared a dividend of \$0.10833 per Common Share payable on April 15, 2015 to common shareholders of record as of March 31, 2015.

### EARNINGS PER COMMON SHARE

The following table presents the computation of Net Earnings per Common Share:

	Three months ended March 31, 2015
Net Earnings	\$ 16.8
Number of common shares:	
Weighted average common shares outstanding – Basic	149.3
Effect of dilutive securities	-
Weighted average common shares outstanding - Diluted	149.3
Net Earnings per Common Share	
Basic and Diluted	\$ 0.11

## 13. SHARE-BASED COMPENSATION PLANS

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

The Company accounts for stock options granted to Company employees as equity-settled share-based payment transactions and accrues compensation costs over the vesting period based on the fair values determined at the grant date.

The Company accounts for PSUs, RSUs and DSUs held by Company employees, officers and directors as cash-settled share-based payment transactions and accrues compensation costs and dividends over the vesting period based on the fair value of the rights. PSUs vest immediately following the completion of a three year performance period provided the employee remains actively employed with the Company on the vesting date. RSUs granted to employees vest 30% after the second anniversary of the date of grant and the remaining 70% vest after the third anniversary or evenly over a three year period, provided the employee remains actively employed with the Company on the vesting date. RSUs granted to officers of the Company fully vest three years from the date of grant or evenly over a three year period provided the officer remains actively employed with the Company on the vesting date. DSUs are fully vested as of the grant date.

As at March 31, 2015, the following weighted average assumptions were used to determine the fair value of stock options and share-based units granted by the Company:

Risk free interest rate	1.22%
Dividend yield	4.41%
Expected volatility rate	25%
Forfeiture rate	6.4%
Expected life	5 yrs
Weighted average grant price	\$29.80
Market share price	\$29.88

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

	Three months ended March 31, 2015
Compensation costs of transactions classified as equity-settled	\$ 0.3
Compensation costs of transactions classified as cash-settled	1.7
<b>Total share-based compensation expense</b>	<b>\$ 2.0</b>

As at March 31, 2015, the liability for share-based payment transactions totaled \$3.0 million.

	As at March 31, 2015	As at December 31, 2014
Liability for unvested cash-settled plans	\$ 1.7	\$ 1.4
Liability for vested cash-settled plans	1.3	0.7
<b>Liability for cash-settled plans</b>	<b>\$ 3.0</b>	<b>\$ 2.1</b>

The following outlines certain information related to the Company's compensation plans as at March 31, 2015:

### C) STOCK OPTIONS

The Company has a Stock Option Plan that provides for granting of stock options to officers and certain employees. The stock options granted vest over a three year period and expire five years after the date of the grant.

The following table summarizes the change in stock options outstanding:

<i>Number of Stock Options (thousands)</i>	<b>March 31, 2015</b>	December 31, 2014
Issued and outstanding, beginning of period	<b>511.5</b>	-
Granted	<b>304.1</b>	529.0
Exercised	<b>(52.6)</b>	-
Forfeited	-	(17.5)
Expired	-	-
<b>Issued and outstanding, end of period</b>	<b>763.0</b>	511.5

The following table summarizes information regarding stock options outstanding at March 31, 2015:

Range Of Exercise Prices Per Common Share	Number of options outstanding	Weighted average remaining vesting period (years)	Weighted average exercise price for options outstanding (\$/share)	Number of options exercisable	Weighted average exercise price for options exercisable (\$/share)	Weighted average fair value for options outstanding (\$/share)
\$28.00-\$39.03	763,010	1.58	29.80	-	-	3.94

For the three months ended March 31, 2015, administrative expense includes \$0.3 million of compensation costs related to stock options.

#### D) PERFORMANCE SHARE UNITS

The following table summarizes information related to the PSUs:

<i>Outstanding PSUs (thousands of units)</i>	<b>March 31, 2015</b>	December 31, 2014
Outstanding, beginning of period	<b>67.8</b>	-
Granted	<b>70.0</b>	66.4
Deemed Eligible to Vest	<b>(16.5)</b>	-
Units, in Lieu of Dividends	<b>0.9</b>	1.4
Forfeited	-	-
<b>Issued and outstanding, end of period</b>	<b>122.2</b>	67.8

For the three months ended March 31, 2015, the Company recorded compensation costs of \$0.4 million related to outstanding PSUs. The remaining weighted average life is 2.6 years.

#### E) RESTRICTED SHARE UNITS

The following table summarizes information related to the RSUs:

<i>Outstanding RSUs (thousands of units)</i>	<b>March 31, 2015</b>	December 31, 2014
Issued and outstanding, beginning of period	<b>112.3</b>	-
Granted	<b>123.0</b>	124.3
Deemed Eligible to Vest	<b>(8.2)</b>	-
Units, in Lieu of Dividends	<b>2.2</b>	2.4
Forfeited	<b>(0.8)</b>	(14.4)
<b>Issued and outstanding, end of period</b>	<b>228.5</b>	112.3

For the three months ended March 31, 2015, the Company recorded compensation costs of \$0.7 million related to outstanding RSUs. The remaining weighted average life is 2.2 years.

## F) DEFERRED SHARE UNITS

For the three month period ended March 31, 2015, the majority of the Directors elected to receive their annual Board and Committee retainers and fees in the form of DSUs.

The following table summarizes information related to the DSUs:

<i>Outstanding DSUs (thousands of units)</i>	<b>March 31, 2015</b>	December 31, 2014
Issued and outstanding, beginning of period	<b>22.8</b>	-
Granted	<b>18.8</b>	22.3
Units, in Lieu of Dividends	<b>0.5</b>	0.5
Forfeited	-	-
<b>Issued and outstanding, end of period</b>	<b>42.1</b>	22.8

For the three months ended March 31, 2015, the Company recorded compensation costs of \$0.6 million related to outstanding DSUs.

## 14. CAPITAL MANAGEMENT

The Company's objective when managing its capital structure, is to maintain financial flexibility in order to distribute cash to shareholders in the form of dividends after consideration of the Company's financial requirements for its business and future growth opportunities.

The Company's capital structure is comprised of shareholders' equity and working capital. The Company's capital structure is managed by taking into account operating activities, dividends paid to shareholders, taxes, available Credit Facility (Note 15), share issuance costs and other factors. The Company's operating results and capital structure are impacted by the level of development activity by third parties on the Fee Lands and other royalty lands and the resultant royalty revenue, level of costs incurred by the Company and commodity prices.

	<b>As at March 31, 2015</b>	<b>As at December 31, 2014</b>
Shareholders' equity	<b>\$ 932.6</b>	\$ 964.0
Working capital	<b>56.9</b>	71.4

The Company's capital structure is managed through its financial and operating forecast process. The forecast of the Company's future cash flows is based on estimates of production, crude oil, natural gas and NGL prices, freehold mineral tax expense, administrative expenses and other investing and financing activities. The forecast is regularly updated based on changes in commodity prices, production expectations and other factors that in the Company's view would impact cash flow.

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### A) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities and dividends payable approximate their carrying amount due to the short-term maturity of those instruments. Refer to Note 10 for the fair value of the royalty note receivable.

### B) RISKS ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

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

## Commodity Price Risk

Commodity price risk is the risk the Company will encounter fluctuations in its future royalty revenues with changes in commodity prices. Commodity prices for crude oil, NGL and natural gas are influenced by macroeconomic events that dictate the levels of supply and demand. The Company has not hedged its commodity price risk.

## Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities.

As at March 31, 2015, the Company had no interest bearing liabilities. The Company's royalty note receivable (Note 10) bears interest at a fixed rate.

## Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. A substantial portion of the Company's accounts receivable are from royalty agreements with oil and gas industry operators and are subject to normal industry credit risks. The Company's diversified revenue stream limits the size of any one property or industry operator with respect to total receivables and the Company has the ability to "take in kind" royalty volumes which further assist in managing collection and credit risk.

As at March 31, 2015, there were no counterparties whose accounts receivable individually accounted for more than 10% of the total accounts receivable balance. The maximum credit risk exposure associated with accounts receivable and accrued revenues is the total carrying value. For the periods presented, the Company did not have an allowance for doubtful accounts nor provide for any doubtful accounts.

## Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages its liquidity risk using cash and debt management programs. The Company has unused capacity under its Credit Facility, described below, for up to \$150 million.

The timing of expected cash outflows relating to accounts payable and accrued liabilities of \$53.7 million and dividend payable of \$16.2 million is less than one year.

The Company has in place a \$75 million extendible revolving credit facility (the "Revolving Facility"), with a permitted increase to \$125 million, and a \$25 million extendible operating credit facility (the "Operating Facility", and together with the Revolving Facility, the "Credit Facility"), with a syndicate of Canadian chartered banks.

The Credit Facility includes borrowing options of Canadian prime rate-based advances, U.S. base rate advances, LIBOR loans, bankers' acceptances and letters of credit, and will bear interest on a variable grid based on certain financial ratios, over the prevailing applicable rate for the type of loan. The Credit Facility is unsecured. The Revolving Facility and the Operating Facility will each be for three-year terms and, subject to certain requirements, will be extendible annually. As at March 31, 2015, the Credit Facility continues to remain undrawn.

## 16. SUPPLEMENTARY INFORMATION

### NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2015
Operating Activities	
Accounts receivable and accrued revenues	\$ (13.1)
Prepaid assets	0.2
Accounts payable and accrued liabilities	30.0
Income taxes payable	(15.9)
	<b>\$ 1.2</b>

### SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31, 2015
Interest Paid	\$ 0.1
Interest Received	0.3
Income Taxes Paid	23.7

## 17. COMMITMENTS

### Commitments

The following table outlines the Company's commitments as at March 31, 2015:

(\$ millions) (undiscounted)	Expected Future Payments						Total
	2015	2016	2017	2018	2019	Thereafter	
Office lease commitments	\$ 1.6	\$ 1.7	\$ 1.4	\$ 1.4	\$ 1.3	\$ 5.8	\$ 13.2

The Company has in place two royalty acquisition agreements with unrelated parties. The agreements expire on December 31, 2016 and August 1, 2017 and result in a remaining commitment of \$0.8 million and \$3.8 million, respectively.

## 18. SUBSEQUENT EVENT

On April 10, 2015, the Company acquired royalty and seismic assets, including approximately 340 sections of fee simple mineral title in the Province of Alberta, from a third party oil and gas producer effective April 1, 2015 for a cash purchase price of \$21 million before adjustments.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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James M. Estey<sup>(1)(2)(3)(4)</sup>  
Andrew M. Phillips  
Sheldon B. Steeves<sup>(2)(3)(4)</sup>  
Margaret A. McKenzie<sup>(3)(4)</sup>  
Grant Zawalsky<sup>(2)(4)</sup>

- (1) Chair of the Board.
- (2) Member of the Governance and Compensation Committee. Mr. Estey is the Chair of the Governance and Compensation Committee.
- (3) Member of the Audit Committee. Ms. McKenzie is the Chair of the Audit Committee.
- (4) Member of the Reserves Committee. Mr. Steeves is the Chair of the Reserves Committee. Mr. Estey is an ex-officio non-voting member of the Reserves Committee.

### OFFICERS

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Andrew M. Phillips, President & Chief Executive Officer  
Cameron M. Proctor, Chief Operating Officer  
Cristina T. Lopez, Vice-President Corporate Development  
Michelle L. Radomski, Vice-President, Land

### AUDITORS

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KPMG LLP

### BANKERS

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Toronto-Dominion Bank  
Royal Bank of Canada

### TORONTO STOCK EXCHANGE TRADING SYMBOL

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PSK

### INDEPENDENT RESERVE EVALUATORS

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GLJ Petroleum Consultants Ltd.

### TRANSFER AGENT

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TMX Equity Transfer Services

### ABBREVIATIONS

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bbls – barrels  
bbls/d – barrels per day  
boe – barrels of oil equivalent (6mcf = 1bbl)  
boe/d – barrels of oil equivalent per day  
mcf – thousand cubic feet  
mcf/d – thousand cubic feet per day  
mmcf – million cubic feet  
mmcf/d – million cubic feet per day  
NGLs – natural gas liquids  
WTI – West Texas Intermediate

### CORPORATE OFFICE

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Suite 1900–411 1 St. S.E.  
Calgary, AB  
T2G 4Y5

### CONTACT US

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Phone: 587.293.4000  
Fax: 587.293.4001  
Investor.relations@prairiesky.com