

SOURCE ROCK ROYALTIES ANNOUNCES RECORD QUARTERLY & ANNUAL ROYALTY REVENUE, ADJUSTED EBITDA AND FUNDS FROM OPERATIONS

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CALGARY, AB, May 3, 2022 /CNW/ - Source Rock Royalties Ltd. ("Source Rock") (TSXV: SRR) (TSXV: SRR.WT), a pure-play oil and gas royalty company with an established portfolio of light oil focused royalties in Saskatchewan and Alberta, announces financial results for the three month period and year ended December 31, 2021.

Fourth Quarter Highlights:

- Record quarterly royalty revenue of \$1,247,171, an increase of 169% over Q4 2020.
- Record quarterly Adjusted EBITDA¹ of \$1,103,542 (\$0.037 per share), an increase of 185% over Q4 2020 (185% on a per share basis).
- Record quarterly funds from operations¹ of \$1,021,234 (\$0.035 per share), an increase of 164% over Q4 2020 (169% on a per share basis).
- Quarterly royalty production averaged 166 boe/d (90% oil and NGLs), an increase of 45% over Q4 2020.
- Paid a quarterly dividend of \$0.015 per share, resulting in a payout ratio¹ of 43%.
- Achieved an operating netback¹ of \$72.13 per boe and a corporate netback¹ of \$66.75 per boe.

Annual Highlights:

- Record annual royalty revenue of \$4,261,974, an increase of 210% over 2020.
- Record annual Adjusted EBITDA of \$3,786,115 (\$0.129 per share), an increase of 268% over 2020 (258% on a per share basis).
- Record annual funds from operations of \$3,704,763 (\$0.126 per share), an increase of 258% over 2020 (250% on a per share basis).
- Record annual royalty production of 161 boe/d (94% oil and NGLs), an increase of 72% over 2020.
- Paid \$0.05 per share in dividends, resulting in a payout ratio of 40%.
- Achieved an operating netback of \$64.44 per boe and a corporate netback of \$63.08.
- Completed \$1,333,555 of royalty acquisitions in S.E. Saskatchewan.
- 24 gross wells drilled on royalty lands (16 Frobisher wells in S.E. Saskatchewan, 7 Viking wells in west-central Saskatchewan and 1 Midale well in S.E. Saskatchewan).

(1) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.

President's Message

We are very pleased to report record quarterly and annual results. Renewed strength in oil prices led to robust drilling activity on portions of our royalty lands in 2021, with a particularly strong amount of conventional Frobisher drilling occurring in S.E. Saskatchewan. With an acceleration of oil and natural gas prices in 2022, we anticipate that activity levels will remain strong near term. We are

unhedged on our royalty production so have full exposure to the ongoing strength in oil and natural gas prices.

We have approximately \$14.5 million (\$0.32 per share) of cash on our balance sheet (no debt) and are assessing numerous acquisition opportunities to expand and diversify our portfolio of royalties.

As the only publicly listed junior oil and gas royalty company in Canada, we expect to continue to identify a unique assortment of royalty acquisitions and potential partnership arrangements with exploration and production companies with operations in the Western Canadian Sedimentary Basin. We believe that royalty capital is an attractive option for junior and mid-cap producers, who despite strong commodity prices are grappling with low equity valuations and fragile relationships with lenders. Our goal as a provider of royalty capital is to have mutually aligned interests with our partner royalty payors and assist with the efficient and successful development of the lands. We also continue to identify interesting opportunities to acquire existing royalties of varying sizes.

We remain committed to executing on a balanced growth and yield business model that will target an annual dividend payout ratio of 50% to 70% of funds from operations. Our high margin business is well positioned to keep corporate costs low and maximize our insulation from both macro and industry specific inflation that is occurring.

Brad Docherty, President & CEO

Financial and Operational Results

FINANCIAL (\$, except as noted)	Three Months Ended December 31,			Year Ended December 31,		
	2021	2020	Change	2021	2020	Change
Royalty revenue	1,247,171	462,992	169%	4,261,974	1,375,749	210%
Administrative expenses	143,638	75,956	89%	475,859	346,281	37%
Percentage of revenue (%)	11.5%	16.4%	-30%	11.1%	25.2%	-56%
Adjusted EBITDA ⁽¹⁾	1,103,542	387,036	185%	3,786,115	1,029,468	268%
Percentage of revenue (%)	88.5%	83.6%	6%	88.8%	74.8%	19%
Per share (basic)	0.037	0.013	185%	0.129	0.036	258%
Funds from operations ⁽¹⁾	1,021,234	387,214	164%	3,704,763	1,033,422	258%
Percentage of revenue (%)	81.9%	83.6%	-2%	86.9%	75.1%	16%
Per share (basic)	0.035	0.013	169%	0.126	0.036	250%
Total comprehensive income (loss)	571,114	(2,672,410)	-	176,541	(2,856,327)	-
Per share (basic)	0.019	(0.092)	-	0.006	(0.099)	-
Per share (diluted)	0.018	(0.092)	-	0.006	(0.099)	-
Dividends Paid	443,438	-	-	1,469,014	863,815	70%
Per share	0.015	-	-	0.05	0.05	-
Payout ratio ⁽¹⁾ (%)	43.4%	-	-	39.7%	83.6%	-53%
Cash and cash equivalents	1,492,322	913,560	63%	1,492,322	913,560	63%
Per share (basic)	0.05	0.03	67%	0.05	0.03	67%
Average shares outstanding (basic)	29,562,559	29,165,997	1%	29,422,005	29,001,311	1%
Shares outstanding (end of period)	29,562,559	29,247,247	1%	29,562,559	29,247,247	1%
OPERATING						
Average daily production (boe/d)	166.3	114.6	45%	160.9	93.8	72%
Percentage oil & NGLs (%)	90.3%	93.8%	-4%	93.6%	92.1%	2%
Average price realizations (\$/boe)	81.53	43.93	86%	72.53	40.17	81%
Operating netback (\$/boe) ⁽¹⁾	72.13	37.54	92%	64.44	30.18	114%
Corporate netback (\$/boe) ⁽¹⁾	66.75	37.54	78%	63.08	30.18	109%

⁽¹⁾ This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.

2021 Reserves Information

Source Rock's reserve information, including a summary of the evaluation of Source Rock's reserves and associated future net revenue as prepared by Trimble Engineering Associates Ltd., Source Rock's independent reserves evaluator as at December 31, 2021, can be found on SEDAR at www.sedar.com in Source Rock's NI 51-101F1 filing.

About Source Rock Royalties Ltd.

Source Rock is a pure-play oil and gas royalty company with an existing, light oil focused portfolio of royalty interests concentrated in southeast Saskatchewan, east-central Alberta, west-central Alberta and west-central Saskatchewan. Source Rock targets a balanced growth and yield business model, using funds from operations to pursue accretive royalty acquisitions and to pay dividends. By leveraging its niche industry relationships, Source Rock identifies and acquires both existing royalty

interests and newly created royalties through collaboration with industry partners. Source Rock's strategy is premised on maintaining a low-cost corporate structure and achieving a sustainable and scalable business, measured by growing funds from operations per share and maintaining a strong netback on its royalty production.

Forward-Looking Statements

This news release includes forward-looking statements and forward-looking information within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", "believes", "proposes" or variations (including negative and grammatical variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements in this news release include statements regarding Source Rock's dividend strategy and the amount and timing of future dividends (and the sustainability thereof), the potential for future drilling on Source Rock's royalty lands, expectations regarding commodity prices, Source Rock's growth strategy and expectations with respect to future royalty acquisition and partnership opportunities, and the ability to complete such acquisitions and establish such partnerships. Such statements and information are based on the current expectations of Source Rock's management and are based on assumptions and subject to risks and uncertainties. Although Source Rock's management believes that the assumptions underlying these statements and information are reasonable, they may prove to be incorrect. The forward-looking events and circumstances discussed in this news release may not occur by certain dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting Source Rock. Although Source Rock has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. No forward-looking statement or information can be guaranteed. Except as required by applicable securities laws, forward-looking statements and information speak only as of the date on which they are made and Source Rock undertakes no obligation to publicly update or revise any forward-looking statement or information, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures & Ratios

This news release uses the terms "funds from operations" and "Adjusted EBITDA" which are non-GAAP financial measures and the terms "payout ratio", "operating netback" and "corporate netback" which are non-GAAP ratios. These financial measures and ratios do not have a standardized prescribed meaning under GAAP and these measures and ratios may not be comparable with the calculation of similar measures disclosed by other entities.

"Adjusted EBITDA" is used by management to analyze the Corporation's profitability based on the Corporation's principal business activities prior to how these activities are financed, how assets are depreciated, amortized and impaired, and how the results are taxed. Additionally, amounts are removed relating to share-based compensation expense, the sale of assets, fair value adjustments on financial assets and liabilities, other non-cash items and certain non-standard expenses, as the Corporation does not deem these to relate to the performance of its principal business. Adjusted EBITDA is not intended to represent net profit (or loss) as calculated in accordance with IFRS.

The most directly comparable GAAP financial measure to funds from operations is cash flow from operating activities. "Funds from operations" is defined as cash flow from operating activities before the change in non-cash working capital. Source Rock believes the timing of collection, payment or incurrence of these non-cash items involves a high degree of discretion and as such

may not be useful for evaluating Source Rock's operating performance. Source Rock considers funds from operations to be a key measure of operating performance as it demonstrates Source Rock's ability to generate funds to fund operations, acquisition opportunities, dividend payments and debt repayments, if applicable. Funds from operations should not be construed as an alternative to income or cash flow from operating activities determined in accordance with GAAP as an indication of Source Rock's performance.

"Corporate netback" is calculated as funds from operations divided by cumulative production volumes for the period. Corporate netback is used by Source Rock to better analyze the financial performance of its royalties against prior periods and to assess the cost efficiency of its overall corporate platform as it relates to production volumes. There is no standardized meaning for "corporate netback" and this metric as used by Source Rock may not be comparable with the calculation of similar metrics disclosed by other entities, and therefore should not be used to make comparisons.

"Operating netback" represents the cash margin for products sold. Operating netback is calculated as revenue minus cash administrative expenses divided by cumulative production volumes for the period. Operating netback is used by Source Rock to assess the cash generating and operating performance of its royalties against prior periods and to assess the costs efficiency of its operating platform as it relates to production volumes. There is no standardized meaning for "operating netback" and this metric as used by Source Rock may not be comparable with the calculation of similar metrics disclosed by other entities, and therefore should not be used to make comparisons.

"Payout ratio" is calculated as the aggregate of cash dividends paid in a period divided by funds from operations realized in such period. Source Rock considers payout ratio to be a key measure to assess Source Rock's ability to fund operations, acquisition opportunities, dividend payments, cash taxes and debt repayments, if applicable.

Beginning with the fourth quarter of 2021, Source Rock changed the label of "netback" to "corporate netback" to distinguish this measure from "operating netback", which was introduced in the quarter. The composition of the measure remains unchanged.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy of this release.

SOURCE Source Rock Royalties Ltd.

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For further information: For more information about Source Rock, visit www.sourcerockroyalties.com or contact Brad Docherty, Chairman, President & CEO at brad@sourcerockroyalties.com

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