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

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CALGARY, AB, April 17, 2023 /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, announces results for the three-month period and year ended December 31, 2022.

Fourth Quarter Highlights:

- Quarterly royalty revenue of $1,504,421[1], an increase of 21% over Q4 2021.
- Quarterly Adjusted EBITDA[2] of $1,399,621 ($0.031 per share), an increase of 27% over Q4 2021.
- Quarterly funds from operations[2] of $1,411,440 ($0.031 per share), an increase of 38% over Q4 2021.
- Quarterly royalty production averaged 169[4] boe/d (92% oil and NGLs), an increase of 2% over Q4 2021.
- Paid a quarterly dividend of $0.015 per share, resulting in a payout ratio[2] of 48%.
- Achieved an operating netback[2] of $90.02 per boe and a corporate netback[2] of $90.78 per boe.
- Completed $3.57 million of royalty acquisitions in S.E. Saskatchewan.

Annual Highlights:

- Record annual royalty revenue of $6,490,519[1], an increase of 52% over 2021.
- Record annual Adjusted EBITDA of $5,736,622 ($0.136 per share), an increase of 52% over 2021.
- Record annual funds from operations of $5,128,706 ($0.121 per share), an increase of 38% over 2021.
- Record annual royalty production of 166[4] boe/d (92% oil and NGLs), an increase of 3% over 2021.
- Paid $2,463,786 in dividends[3] ($0.06 per share), resulting in a payout ratio of 48%.

- Achieved an operating netback of $94.68 per boe and a corporate netback of $84.65.
- Completed $3.62 million of royalty acquisitions in S.E. Saskatchewan.
- 20 gross horizontal wells drilled on royalty lands (16 Frobisher wells in S.E. Saskatchewan, 3 Viking wells in west-central Saskatchewan and 1 Rex well in Central Alberta).

President's Message

We are very pleased to report record annual results. Despite volatile oil prices in 2022, drilling on portions of our royalty lands was consistent throughout the year. Drilling was particularly strong in S.E. Saskatchewan, focused on the Frobisher formation. After completing our IPO in March 2022, which provided capital for royalty acquisitions, oil prices abruptly increased to near all-time high levels. In this elevated price environment, we adopted a more patient and disciplined approach to putting the IPO proceeds to work. Following the pullback in oil prices, we have regained momentum with our acquisition strategy. We have completed $5 million of royalty acquisitions in recent months and have $11 million ($0.25 per share) of cash on our balance sheet (and no debt) to further advance the expansion and diversification of our oil focused royalty portfolio.

As the only publicly listed junior oil and gas royalty company in Canada, we continue to identify a unique assortment of potential royalty acquisitions and partnership opportunities with exploration and production companies. We believe that royalty capital is an attractive option for junior and mid-cap producers seeking additional funding for acquisitions and the development of their assets. Despite strong commodity prices and improved balance sheets, many well positioned companies are facing low equity valuations and challenging conditions for accessing debt. As a provider of royalty capital our goal is to have mutually aligned interests with our operator partners and assist with the successful acquisition and development of the lands. There also continues to be interesting opportunities to acquire existing royalties in various oil plays across Western Canada.

We remain committed to executing on a balanced growth and yield business model. As we advance our royalty acquisition strategy, our high margin platform allows us to prioritize providing a strong dividend to shareholders. Our business is well positioned to keep corporate costs low and maximize our insulation from both macro and industry specific inflation, while still benefitting from increased operational activity on our royalty lands resulting from ongoing strength in oil prices.

Brad Docherty, President & CEO

Financial and Operational Results

	Three Months Ended December 31,			Year Ended December 31,		
FINANCIAL ($, except as noted)	2022	2021	Change	2022	2021	Change
Royalty revenue	1,504,421[1]	1,247,171	21 %	6,490,519[1]	4,261,974	52 %
Adjusted EBITDA[2]	1,399,621	1,103,532	27 %	5,736,622	3,786,115	52 %
Per share (basic)	0.031	0.037	-16 %	0.136	0.129	6 %
Funds from operations[2]	1,411,440	1,021,224	38 %	5,128,706	3,704,763	38 %
Per share (basic)	0.031	0.035	-11 %	0.121	0.126	-4 %
Total comprehensive income (loss)	559,447	571,114	-2 %	2,558,054	176,541	1,349 %
Per share (basic)	0.012	0.019	-37 %	0.060	0.006	900 %
Per share (diluted)	0.012	0.018	-34 %	0.059	0.006	883 %
Dividends Paid	673,450	443,438	52 %	2,463,786[3]	1,469,014	68 %
Per share	0.015	0.015	-	0.06	0.05	20 %
Payout ratio[2] (%)	48 %	43 %	12 %	48 %	40 %	20 %
Cash and cash equivalents	13,152,502	1,492,322	781 %	13,152,502	1,492,322	781 %
Per share (basic)	0.29	0.05	480 %	0.29	0.05	480 %
Average shares outstanding (basic)	44,896,645	29,562,559	52 %	42,344,911	29,422,005	44 %
Shares outstanding (end of period)	44,896,645	29,562,559	52 %	44,896,645	29,562,559	52 %
OPERATING						
Average daily production (boe/d)	169[4]	166	2 %	166[4]	161	3 %
Percentage oil & NGLs (%)	92 %	90 %	2 %	92 %	94 %	-2 %
Average price realizations ($/boe)	96.55	81.53	18 %	107.28	72.53	48 %
Operating Netback ($/boe)[1]	90.02	72.13	25 %	94.68	64.44	47 %

Corporate Netback ($/boe)[1]	90.78	66.75	36 %	84.65	63.08	34 %

(1) Source Rock also benefited from $85,268 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.
(2) 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.
(3) $443,438 of this amount was paid in the form of a "return of capital".
(4) Source Rock also benefited from 9 boe/d (100% oil & NGLs) for Q4 2022 and 2 boe/d (100% oil & NGLs) for the year ended December 31, 2022, of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.

2022 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, 2022, 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.

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.

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http://www.newswire.ca/en/releases/archive/April2023/17/c2418.html

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