

SOURCE ROCK ROYALTIES ANNOUNCES RECORD QUARTERLY & MONTHLY ROYALTY PRODUCTION

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CALGARY, AB, Aug. 30, 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 and six months ended June 30, 2023.

Second Quarter Highlights:

- Record quarterly royalty production of 206¹ boe/d (92% oil and NGLs), an increase of 23% compared to Q2 2022 and 14% higher than Q1 2023.
- Record monthly royalty production of 215 boe/d (92% oil and NGLs) in June 2023.
- Quarterly royalty revenue of \$1,526,946², a decrease of 20% compared to Q2 2022.
- Quarterly Adjusted EBITDA³ of \$1,363,910 (\$0.03 per share), a decrease of 21% compared to Q2 2022.
- Quarterly funds from operations³ of \$1,316,628 (\$0.029 per share), a decrease of 8% compared to Q2 2022.
- Declared three monthly dividends of \$0.0055 per share, resulting in a payout ratio³ of 56%.
- Achieved an operating netback³ of \$72.86 per boe and a corporate netback³ of \$70.33 per boe.
- Completed \$3,471,446 of royalty acquisitions in S.E. Saskatchewan.
- Ended Q2 2023 with a cash balance of \$7,716,650 (\$0.17 per share).

(1) Source Rock also benefited from 3 boe/d (100% oil & NGLs) of royalty production for Q2 2023, that occurred after the effective date but prior to the closing date of an acquisition completed on June 1, 2023.

(2) Source Rock also benefited from \$23,594 of sales proceeds for Q2 2023, from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed on June 1, 2023. These sales proceeds were accounted for as a reduction to the purchase price of the acquisition.

(3) 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 monthly royalty production. The increase in average production was driven by our recent acquisitions and new drilling by various operators on our S.E. Saskatchewan royalty lands. In particular, the drilling commitments from our November 2022 and June 2023 acquisitions have been steadily satisfied.

We have a strong working capital position of approximately \$8.5 million (\$0.19 per share), which we intend to allocate towards additional oil royalty acquisitions. Our acquisition strategy continues to be focused on expanding and diversifying our base royalty production and exposure to ongoing drilling activity. As we execute on this growth strategy our pure-play royalty business model remains very insulated from macro and industry specific inflationary pressures.

Brad Docherty, President & CEO

Financial and Operational Results

FINANCIAL (\$)	Three months ended June 30,			Six months ended June 30,		
	2023	2022	Change	2023	2022	Change
Royalty revenue	1,526,946 ⁽¹⁾	1,903,802	-20 %	2,907,197 ⁽¹⁾	3,431,188	-15 %
Adjusted EBITDA ⁽²⁾	1,363,910	1,715,652	-21 %	2,521,430	3,117,655	-19 %
Per share (basic)	0.030	0.038	-21 %	0.060	0.078	-23 %
Funds from operations ⁽²⁾	1,316,628	1,429,610	-8 %	2,428,099	2,602,041	-7 %
Per share (basic)	0.029	0.032	-9 %	0.054	0.065	-17 %
Total comprehensive income (loss)	431,863	904,617	-52 %	654,098	1,551,717	-58 %
Per share (basic)	0.010	0.020	-50 %	0.015	0.039	-62 %
Per share (diluted)	0.009	0.020	-55 %	0.014	0.039	-64 %
Dividends Declared	740,795	673,449	10 %	1,414,245	1,116,887	27 %
Per share	0.017	0.015	13 %	0.032	0.030	7 %
Payout ratio ⁽²⁾ (%)	56 %	47 %	19 %	58 %	43 %	35 %
Cash and cash equivalents	7,716,650	15,466,841	-50 %	7,716,650	15,466,841	-50 %
Per share (basic)	0.172	0.344	-50 %	0.172	0.344	-50 %
Average shares outstanding (basic)	44,896,645	44,896,645	-	44,896,645	39,750,883	13 %
Shares outstanding (end of period)	44,896,645	44,896,645	-	44,896,645	44,896,645	-
OPERATING						
Average daily production (boe/d)	206 ⁽³⁾	168	23 %	193 ⁽³⁾	167	16 %
Percentage oil & NGLs	92 %	92 %	-	92 %	92 %	-
Average price realizations (\$/boe)	81.57	124.40	-34 %	83.24	113.58	-27 %
Operating netback ⁽²⁾ (\$/boe)	72.86	112.22	-35 %	72.19	103.14	-30 %
Corporate netback ⁽²⁾ (\$/boe)	70.33	93.51	-25 %	69.52	86.08	-19 %

(1) Source Rock also benefited from \$23,594 for Q2 2023 and \$171,875 for the six-month period ended June 30, 2023, of sales proceeds from royalty production that occurred after the effective date but prior to the closing dates of acquisitions. These sales proceeds were accounted for as a reduction to the purchase price of the acquisitions.

(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) Source Rock also benefited from 3 boe/d (100% oil & NGLs) of royalty production for Q2 2023 and 9 boe/d (100% oil & NGLs) of royalty production for the six-month period ended June 30, 2023, that occurred after the effective date but prior to the closing dates of acquisitions.

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, the ability to complete such acquisitions and establish such partnerships, and the estimated costs for Source Rock to run its business. 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 declared 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 Q1 2023, Source Rock changed the definition of "payout ratio" to be based on dividends "declared" instead of dividends "paid", as it was determined that this change will provide more useful disclosure relating to the ratio of the dividend payout relative to financial results for the period being reported on as compared to the period in which the dividend is paid to investors.

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

CO: Source Rock Royalties Ltd.

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