

SOURCE ROCK ROYALTIES ANNOUNCES Q1 2024 RESULTS INCLUDING RECORD ROYALTY PRODUCTION

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CALGARY, AB, May 29, 2024 /CNW/ - Source Rock Royalties Ltd. ("Source Rock") (TSXV: SRR), a pure-play oil and gas royalty company with an established portfolio of oil focused royalties, announces results for the three-month period ended March 31, 2024 ("Q1 2024").

Q1 2024 Highlights:

- Record quarterly royalty production of 241 boe/d (95% oil and NGLs), an increase of 34% over Q1 2023.
- Quarterly royalty revenue of \$1,728,050, an increase of 25% over Q1 2023.
- Quarterly Adjusted EBITDA² of \$1,504,104 (\$0.033 per share), an increase of 30% over Q1 2023.
- Quarterly funds from operations² of \$1,331,106 (\$0.029 per share), an increase of 20% over Q1 2023.
- Declared \$814,176 in dividends (\$0.018 per share), resulting in a payout ratio² of 61%.
- Achieved an operating netback² of \$68.58 per boe and a corporate netback² of \$60.70.
- 13 gross new horizontal wells began producing on royalty lands in SE Saskatchewan (10) and central Alberta (3).
- Ended Q1 2024 with cash and cash equivalents of \$2,445,179.

President's Message

We are very pleased to report record royalty production in Q1 2024. This is the first quarter that our 2023 royalty acquisitions fully contributed to production volumes, in particular our December 2023 Alberta Clearwater Formation heavy oil acquisition. We also continue to see strong drilling activity from various operators targeting the Frobisher Formation on our SE Saskatchewan royalty lands.

We are actively evaluating additional royalty acquisitions that can be completed with our current working capital of ~\$3.0 million (\$0.065 per share) and future cash flow. Source Rock is well positioned to compound the growth of our royalty production and royalty lands, while also paying an attractive and sustainable monthly dividend.

Financial and Operational Results

FINANCIAL (\$, except as noted)	Three Months Ended March 31,		
	2024	2023	Change
Royalty revenue	1,728,050	1,380,251 ⁽¹⁾	25 %
Adjusted EBITDA ⁽²⁾	1,504,104	1,157,520	30 %
Per share (basic)	0.033	0.026	27 %
Funds from operations ⁽²⁾	1,331,106	1,111,471	20 %
Per share (basic)	0.029	0.025	16 %
Total comprehensive income (loss)	217,968	222,235	-2 %
Per share (basic)	0.005	0.005	-
Per share (diluted)	0.005	0.005	-
Dividends declared	814,176	673,450	21 %
Per share	0.018	0.015	20 %
Payout ratio ⁽²⁾	61 %	61 %	-
Cash and cash equivalents	2,445,179	11,372,848	-78 %

Per share (basic)	0.05	0.25	-80 %
Average shares outstanding (basic)	45,231,865	44,896,645	1 %
Shares outstanding (end of period)	45,232,645	44,896,645	1 %
OPERATING			
Average daily production (boe/d)	241	180 ⁽³⁾	34 %
Percentage oil & NGLs	95 %	90 %	6 %
Average price realizations (\$/boe)	78.78 ⁽⁴⁾	85.16	-7 %
Operating netback ⁽²⁾ (\$/boe)	68.58	71.45	-4 %
Corporate netback ⁽²⁾ (\$/boe)	60.70	68.61	-12 %

- (1) Source Rock also benefited from \$148,281 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in March 2023. These sales proceeds were accounted for as a reduction to the purchase price of the acquisition.
- (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 19 boe/d (100% oil) for Q1 2023, of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in March 2023.
- (4) Average price realization was lowered by Q1 2024 being the first full quarter of Source Rock owning the heavy oil Clearwater GORR.

About Source Rock Royalties Ltd.

Source Rock is a pure-play oil and gas royalty company with an existing, oil focused portfolio of royalty interests concentrated in southeast Saskatchewan, 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" (earnings before interest, taxes, depreciation and amortization) 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.

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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