Source Rock Royalties Ltd.

Condensed Interim Financial Statements

As at and for the three months ended March 31, 2025
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the company discloses that its external auditors have not reviewed the unaudited condensed interim financial statements for the three months ended March 31, 2025.

(Expressed in Canadian dollars)

	March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 5,125,530	$ 4,635,727
Trade and other receivables (note 3)	833,368	1,051,358
Prepaid expense	33,207	38,401
Total current assets	5,992,105	5,725,486
Petroleum and natural gas interests (note 4)	19,499,835	20,239,143
Intangible (note 5)	250,000	250,000
Deferred tax	399,365	370,573
Total assets	$ 26,141,305	$ 26,585,202
Liabilities		
Current liabilities		
Trade and other payables	$ 50,540	$ 44,174
Corporate taxes payable	381,563	524,662
Dividend payable (note 12)	296,288	296,288
Total current liabilities	728,391	865,124
Total liabilities	728,391	865,124
Shareholders' equity		
Share capital (note 7a)	26,762,097	26,762,097
Contributed surplus (note 7b)	17,856,107	17,629,789
Deficit	(19,205,290)	(18,671,808)
Total shareholders' equity	25,412,914	25,720,078
Total liabilities and shareholders' equity	$ 26,141,305	$ 26,585,202

The accompanying notes are an integral part of these financial statements.

(Expressed in Canadian dollars)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Royalty revenues (note 8)	$ 1,676,388	$ 1,728,050
Expenses		
Administrative expenses	215,948	223,946
Share-based compensation (note 7c and 7d)	226,318	196,943
Depletion (note 4)	739,308	983,031
Total expenses	1,181,574	1,403,920
Income (loss) for the period	494,814	324,130
Other income		
Interest	34,384	23,597
Income (loss) before taxes	529,198	347,727
Provision for income taxes		
Current tax expense	202,609	196,595
Deferred tax expense (recovery)	(28,792)	(66,836)
Income tax expense	173,817	129,759
Total Comprehensive income	$ 355,381	$ 217,968
Income per share, basic	$ 0.008	$ 0.005
Income per share, diluted	$ 0.007	$ 0.005
Weighted average number of shares:		
Basic	45,582,727	45,231,865
Diluted	48,309,721	47,323,146

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(Expressed in Canadian dollars)

		Share capital		Warrants		Contributed surplus		Deficit		Total shareholders' equity
As at December 31, 2023	$	26,478,588	$	306,682	$	16,765,055	$	(16,693,188)	$	26,857,137
Warrants (note 7a and 7b)		1,290		(306,682)		306,642		-		1,250
Share-based compensation (note 8c and 8d)		-		-		840,311		-		840,311
RSU vesting		282,219		-		(282,219)		-		-
Dividends (note 8e)		-		-		-		(3,473,939)		(3,473,939)
Total comprehensive income for the year		-		-		-		1,495,319		1,495,319
As at December 31, 2024	$	26,762,097		-		17,629,789		(18,671,808)		25,720,078
Share-based compensation (note 7c and 7d)		-		-		226,318		-		226,318
Dividends (note 7e)		-		-		-		(888,863)		(888,863)
Total comprehensive income for the period		-		-		-		355,381		355,381
As at March 31, 2025	$	26,762,097		-		17,856,107		(19,205,290)		25,412,914

The accompanying notes are an integral part of these financial statements.

(Expressed in Canadian dollars)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Operating activities		
Net comprehensive income (loss) for the period	$ 355,381	$ 217,968
Adjustments for:		
Share-based compensation (note 7c and 7d)	226,318	196,943
Depletion (note 4)	739,308	983,031
Deferred income tax recovery	(28,792)	(66,836)
Change in non-cash working capital balances		
Trade and other receivables	217,990	235,081
Prepaid expenses	5,194	1,568
Trade and other payables	6,366	31,709
Corporate taxes payable	(143,099)	196,595
Cash flows from operating activities	1,378,666	1,796,059
Financing activities		
Dividends paid to shareholders' (note 7a)	(888,863)	(814,170)
Exercise of warrants (note 7a)	-	1,250
Cash flows used in financing activities	(888,863)	(812,920)
Investing activities		
Purchase of petroleum and natural gas interests (note 4)	-	-
Cash flows used in investing activities	-	-
Increase (decrease) in cash and cash equivalents	489,803	983,139
Cash and cash equivalents, beginning of period	4,635,727	1,462,040
Cash and cash equivalents, end of period	$ 5,125,530	$ 2,445,179

The accompanying notes are an integral part of these financial statements.

1. REPORTING ENTITY

Source Rock Royalties Ltd. ("Source Rock" or the "Company") is a private company incorporated under the laws of the Province of Alberta on October 11, 2012, with its registered office at 15th Floor, 850 – 2nd Street, SW, Calgary Alberta T2P 0R8.

The primary business of the Company is to receive royalty revenue from oil and natural gas properties as reserves are produced by the operators over the economic life of the properties. The Company is exclusively focused on acquiring and managing oil and natural gas royalties and mineral title interests. The Company has an oil focused portfolio of royalty interests concentrated in S.E. Saskatchewan, central Alberta and west-central Saskatchewan. The Company is focused on acquiring royalties in properties that have foreseeable future drilling potential, and which are operated by fiscally and operationally prudent third parties. The Company is further focused on establishing relationships with third parties via its royalty interests, wherein mutual benefits can be derived from the near-term and medium-term development, and long-term enhancement, of the assets. The Company does not incur any ongoing costs to develop, operate or enhance the lands in which it has royalties, and nor does it have any exposure to abandonment or reclamation obligations associated with its royalty lands.

These unaudited interim condensed interim financial statements were authorized for issuance by the Company's Board of Directors on May 29, 2025.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements have been prepared by management, in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. The significant accounting policies and methods of computations followed in these condensed interim financial statements are the same as those applied in the Company's audited annual financial statements for the year ended December 31, 2024. 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.

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

These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2024.

b) Estimates

The timely preparation of the unaudited interim condensed interim 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 interim financial statements, the judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2024.

3. TRADE AND OTHER RECEIVABLES

Accounts Receivable and Accrued Royalty Revenues		As at March 31, 2025		As at December 31, 2024
Trade receivable and accrued royalty revenue	$	822,246	$	1,042,343
GST receivable and other receivable		11,122		9,015
	$	833,368	$	1,051,358

Trade receivable and accrued revenue relate to royalty production payments receivable.

The analysis of trade receivable and accrued royalty revenue that are past due but not impaired is as follows:

					Past due but not impaired			
		Total		Neither past due nor Impaired		4-6 Months		7- 12 Months
As at March 31, 2025	$	822,246	$	822,246	$	-	$	-
As at December 31, 2024	$	1,042,343	$	1,042,343	$	-	$	-

In determining the collectability 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 parties (note 10).

4. PETROLEUM AND NATURAL GAS INTERESTS

Cost		Total
Balance December 31, 2023	$	39,465,183
Additions		27,103
Balance December 31, 2024	$	39,492,286
Additions		-
Balance March 31, 2025	$	39,492,286
Accumulated depletion		
Balance December 31, 2023	$	15,312,802
Depletion		3,940,341
Balance December 31, 2024	$	19,253,143
Depletion		739,308
Balance March 31, 2025	$	19,992,451
Carrying amounts		
At December 31, 2024		20,239,143
At March 31, 2025	**$**	**19,499,835**

2024:

On December 12, 2024 Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $27,103.

Impairment

As at March 31, 2025, there were no indicators of impairment on Source Rock's Cash Generating Units ("CGU").

5. INTANGIBLE

On January 27, 2020, Source Rock entered into an agreement with a S.E. Saskatchewan focused oil and gas company ("E&P Co."), whereby Source Rock paid $250,000 for a right, but not an obligation, to acquire a 2% GORR in all oil and natural gas interests purchased or earned by E&P Co. The agreement is not subject to any geographical boundaries, does not expire and will be required to be assumed by future parties in any change of control scenarios relating to E&P Co.

6. RELATED PARTY TRANSACTIONS

Key personnel transactions

Key personnel includes the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and the Directors of the Company. For the three months ended March 31, 2025, the Company had the following transactions with key personnel.

		Three months ended March 31, 2025		2024
Wages and consulting fees	$	96,000	$	87,450
Share-based compensation		226,318		191,403
Total	$	322,318	$	278,853

Share-based compensation includes charges for stock options, RSUs and DSUs, as defined herein. For the quarters ended March 31, 2025 and 2024 the break down is as follows:

		2025		2024
Stock Options	$	2,558	$	2,876
RSUs		126,685		114,368
DSUs		97,075		74,159
Total	$	226,318	$	191,403

In addition, during the three-month period ended March 31, 2025, $6,684 (2024 - $6,481), was incurred to a law firm at which the Corporate Secretary of the Company is a Partner. These fees primarily related to work associated with general corporate matters and work associated with royalty acquisitions.

All transactions were in the normal course of operations and were measured at the amount of consideration agreed to by both parties. As at March 31, 2025, there was $5,510 (December 31, 2024 - $887) in trade payables and accrued liabilities relating to these transactions.

7. SHARE CAPITAL

a) Common shares

The Company has authorized an unlimited number of common shares for issuance, without stated par value.

	March 31, 2025			December 31, 2024		
	# of common shares		Amount	# of common shares		Amount
Balance, beginning of period	45,582,727	$	26,762,097	45,231,645	$	26,478,588
Shares issued for exercised stock options (note 8c)	-		-	-		-
Shares issued on vesting of RSUs	-		-	350,082		282,219
Shares issued on exercise of warrants	-		-	1,000		1,290
Balance, end of period	45,582,727	$	26,762,097	45,582,727	$	26,762,097

b) Contributed surplus

Balance, December 31, 2023	$ 16,765,055
Share-based compensation (note 8c and 8d)	840,311
Expiration of warrants	306,642
RSU settlement	(282,219)
Balance, December 31, 2024	17,629,789
Share-based compensation (note 7c and 7d)	226,318
Balance, March 31, 2025	$ 17,856,107

c) Stock options

The Company created a rolling 10% stock option plan which became effective July 2, 2013. The stock option plan provides options for directors, key management personnel and consultants.

A summary of the Company's outstanding stock options as at March 31, 2025, and the changes for the current year, is as follows:

	Outstanding	Weighted Average Remaining Contractual Life (in years)		Weighted Average Exercise Price
Balance, December 31, 2023	1,815,000	0.8	$	0.72
Granted	260,000	**4.5**		**0.93**
Expired	(725,000)	**-**		**0.85**
Balance, December 31, 2024	**1,350,000**	**2.2**	**$**	**0.69**
Balance, March 31, 2025	**1,350,000**	**2.0**	**$**	**0.69**

For the three-months ended March 31, 2025, the Company has recorded $2,558 (2024 - $8,416) in share-based compensation expense for the vesting of previously issued stock options with a corresponding amount credited to contributed surplus. As of March 31, 2025, the Company has 1,163,333 (December 31, 2024 - 1,163,333) exercisable stock options.

The fair value of stock options granted in 2024 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2024
Exercise price	$0.93
Dividend yield	0.08
Expected volatility	33%
Risk-free interest rate	3.62%
Expected life	5 years
Forfeiture rate	0.0%

d) Restricted Share Units ("RSU") and Deferred Share Units ("DSU")

On June 22, 2022, the Company's shareholders approved a fixed 10% RSU/DSU compensation plan (the "RSU/DSU Plan"). The RSU/DSU Plan provides RSUs and DSUs for directors, key management personnel and consultants.

Each RSU/DSU entitles the holder to acquire one common share of Source Rock, or a cash payment equal to the equivalent value of one common share of Source Rock at the time of vesting, or a combination of both (in the sole discretion of the Company's Board of Directors). RSUs will be settled within 30 days of vesting. DSUs will be settled within 30 days of the holder no longer being an officer, director, employee or consultant of the Company. Because the Company's Board of Directors has the ability to settle the RSUs/DSUs through equity and have not stated and have limited history of settling the RSUs/DSUs in cash, the RSU/DSU Plan will be classified as equity settled. Compensation expense is recognized at the market value of the Company's common shares at the time of grant and recognized over the vesting period with a corresponding increase to contributed surplus. Upon vesting of the RSU/DSU, the amount previously recognized in contributed surplus is recorded as an increase to shareholders' capital. The RSUs granted shall vest evenly over three years on the anniversary date of the grant and the DSUs granted shall vest after one year following the grant date.

RSUs and DSUs will be credited with dividend equivalents in the form of additional RSUs and DSUs, respectively, as of each dividend payment date in respect of which normal cash dividends are paid on common shares. Dividends are recognized as compensation expense at the market value on the record date at the time the dividend is paid. Dividend equivalents credited to a RSU/DSU holder's account shall vest in proportion to the RSUs and DSUs to which they relate.

A summary of the Company's outstanding RSUs as at March 31, 2025, and the changes for the current year, is as follows:

	Outstanding		Weighted Average Grant Price
Balance, December 31, 2023	**896,547**	**$**	**0.80**
Granted	455,000		0.92
Vested	(350,082)		0.81
Dividend Equivalent Grants	85,075		**0.88**
Balance, December 31, 2024	**1,086,540**	**$**	**0.85**
Dividends	24,442		0.87
Balance, March 31, 2025	**1,110,982**		**0.85**

For the three months ended March 31, 2025, the Company has recorded $126,685 (2024 - $114,368) in share-based compensation expense with respect to RSUs, with a corresponding amount credited to contributed surplus.

A summary of the Company's outstanding DSUs as at March 31, 2025, and the changes for the current year, is as follows:

	Outstanding	Weighted Average Grant Price
Balance, December 31, 2023	**887,884**	**0.81**
Granted	312,500	0.92
Dividend Equivalent Grants	92,331	0.88
Balance, December 31, 2024	**1,292,715**	**0.84**
Dividends	28,912	0.87
Balance, March 31, 2025	**1,321,627**	**0.84**

For the three months ended March 31, 2025, the Company has recorded $97,075 (2024 - $74,159) in share-based compensation expense with respect to DSUs, with a corresponding amount credited to contributed surplus.

e) Dividends

During the three months ended March 31, 2025, the Company declared dividends of $888,863 (2024 - $814,176). The total amount of dividends paid during the three months ended March 31, 2025 was $888,863 (2024 - $814,170).

8. REVENUES

The Company's royalty and other revenue are measured at fair value of the consideration received or receivable, per the terms of various agreements. The transaction price used for crude oil, natural gas, natural gas liquids and other products is based on the commodity price in the month of production specific to the property or interest. The commodity price received or receivable is based on market benchmarks adjusted for quality, location, allowable deductions, if any, and other factors. Typically, Source Rock would receive the cash payments 30 to 60 days following production or the sale of commodity by the producer.

	Three months ended March 31,	
Revenue and other revenue by product	2025	2024
Oil	$ 1,631,511	$ 1,679,575
Natural gas	19,299	19,399
NGL	25,578	29,076
Total royalty revenue	$ 1,676,388	$ 1,728,050

9. TAXES

The Company is presently classified as a public company pursuant to the Income Tax Act (Canada), as a result, the Company's taxable income will be taxed at the effective tax rate of 23.0%.

10. FINANCIAL RISK MANAGEMENT

Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and commodity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Fair values

The Company's financial instruments recognized on the statement of financial position consist of current assets and liabilities of cash and cash equivalents, trade and other receivables, and trade and other payables and dividends payable. The fair values of the Company's current financial assets and liabilities approximate their carrying values due to their short-term maturities.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company attempts to monitor financial conditions of its royalty payors and the industry in which they operate. The carrying amounts of trade and other receivables and cash and cash equivalents represent the Company's maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

All of the Company's trade and other payables are due in less than one year.

Commodity risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate with changes in commodity prices. Commodity prices for oil and natural gas are influenced by the relationship between the Canadian and U.S. dollar as well as macroeconomic events that dictate the levels of supply and demand. The company does not hedge its commodity price risk.

11. CAPITAL MANAGEMENT

The Company's capital is comprised of cash and cash equivalents and shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes a prudent, repeatable, scalable and sustainable corporate platform that minimizes operating costs, and aims to maximize returns to its shareholders through per share cash flow growth and ultimately payment of a sustainable and conservative dividend. The Company is not subject to any externally or internally imposed capital requirements as at March 31, 2025.

12. SUBSEQUENT EVENTS

On April 15, 2025, Source Rock announced a monthly dividend of $0.0065 per share, to be paid in cash on May 15, 2025 to shareholders of record on April 30, 2025. On May 15, 2025, Source Rock declared a monthly dividend of $0.0065 per share, to be paid in cash on June 13, 2025 to shareholders of record on May 30, 2025.