

SOURCE ROCK ROYALTIES ANNOUNCES FIRST QUARTER 2026 RESULTS AND PROVIDES CORPORATE UPDATE

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CALGARY, AB, June 1, 2026 /CNW/ - Source Rock Royalties Ltd. ("Source Rock") (TSXV: SRR), a pure-play oil and gas royalty company with an established portfolio of oil royalties and Crown mineral leases, announces results for the three-month period ended March 31, 2026 ("Q1 2026").

President's Message - Corporate Update

During Q1 2026, we experienced two very different market environments. Oil prices were below \$60.00 USD per barrel in January and remained very weak for almost all of February; which followed extended oil price weakness throughout the second half of 2025. These prolonged lower oil prices resulted in less new drilling activity on our royalty lands and reduced new production to offset natural declines from consistent drilling activity in 2024 and the first half of 2025. In addition, our production volume royalty had a scheduled decline from 70 bbl/d to 39 bbl/d that went into effect on January 1, 2026.

This weakness reversed quickly when oil prices spiked in March, which changed the dynamic across our royalty lands for the first quarter and improved our outlook for the remainder of 2026. March royalty production rebounded from earlier in Q1 2026 to average 204 boe/d and royalty revenue for the month was approximately \$623,000. Seven new horizontal wells began producing in March on our central Alberta (4) and S.E. Saskatchewan (3) royalty lands.

The higher oil price environment not only increases the royalty revenue from our existing production due to our ~90% oil royalty production ratio, but it also positively changes our expectations for new drilling on our royalty lands. In particular, the operator of our Clearwater royalty lands recently disclosed that they have added a second rig to the property and anticipate an increase in the number of Clearwater horizontal wells to be drilled on our royalty lands over the remainder of the year. The operator also disclosed enhanced oil recovery activities on our royalty lands through multiple waterflood pilot operations and early evaluation of polymer injection.

We are actively seeking to acquire additional producing oil royalties and increase exposure to undeveloped royalty lands through deploying our working capital⁽²⁾ of approximately \$4.6 million (\$0.10 per share) as at March 31, 2026. We are well positioned to benefit from either continued strength in oil prices through higher royalty revenue and increased drilling activity, or renewed weakness as this will provide a more attractive environment for pursuing new royalty acquisitions.

During Q1 2026 we acquired a 50% interest in an additional 15 gross sections (9,600 acres) of Crown oil sands and PNG mineral leases in Alberta. We also completed the first transaction on our leases, which resulted in receiving two times our investment in 6 months, while also retaining a royalty in these lands. We continue to pursue the acquisition of Crown mineral leases and are strategically looking to complete additional transactions on our remaining 32 gross sections (20,480 acres - 50% interest) of leases.

Brad Docherty, President & CEO

First Quarter Highlights:

- Quarterly royalty revenue of \$1,305,407, a decrease of 2% from Q4 2025 and 22% lower than Q1 2025.
- Quarterly royalty production of 185 boe/d (92% oil and NGLs), a decrease of 18% from Q4 2025 and 20% lower than Q1 2025.
- Quarterly adjusted EBITDA⁽¹⁾ of \$1,019,611 (\$0.022 per share), a decrease of 13% from Q4 2025 and 30% lower than Q1 2025.
- Quarterly funds from operations⁽¹⁾ of \$932,259 (\$0.02 per share), a decrease of 15% from Q4 2025 and 28% lower than Q1 2025.
- Declared three dividends of \$0.0065 per share, resulting in a payout ratio⁽¹⁾ of 95%.
- Achieved an operating netback⁽¹⁾ of \$61.24 per boe and a corporate netback⁽¹⁾ of \$55.99 per boe.
- 11 gross new horizontal wells began producing on royalty lands in central Alberta (7) and S.E. Saskatchewan (4), with 7 of these new wells commencing production during March.
- Acquired a 50% interest in 15 sections (9,600 acres) of Crown oil sands and PNG mineral leases in Alberta for proceeds of \$296,548.
- Sold a 50% interest in 2 sections (1,280 acres) of Crown oil sands leases for \$225,000 (\$110,000 lease cost) and retained a 1.75% gross overriding royalty in the lands.
- Working capital⁽²⁾ of \$4,567,435 (\$0.10 per share) as at March 31, 2026.

Financial and Operational Results

	Three Months Ended March 31,		
FINANCIAL (\$, except as noted)	2026	2025	Change
Royalty revenue	1,305,407	1,676,388	-22 %
Adjusted EBITDA ⁽¹⁾	1,019,611	1,460,440	-30 %
Per share (basic)	0.022	0.032	-30 %
Funds from operations ⁽¹⁾	932,259	1,292,215	-28 %
Per share (basic)	0.020	0.028	-28 %
Total comprehensive income (loss)	350,354	355,381	-1 %
Per share (basic)	0.008	0.008	-
Per share (diluted)	0.007	0.007	-
Dividends declared	888,863	888,863	-
Per share	0.0195	0.0195	-
Payout ratio ⁽¹⁾ (%)	95 %	69 %	38 %
Cash and cash equivalents	3,811,258	5,125,530	-26 %
Per share (basic)	0.08	0.11	-26 %
Average shares outstanding (basic)	45,582,727	45,582,727	-
Shares outstanding (end of period)	45,582,727	45,582,727	-
OPERATING			
Average daily production (boe/d)	185	232	-20 %
Percentage oil & NGLs (%)	92 %	92 %	-
Average price realizations (\$/boe)	78.58	80.36	-2 %
Operating netback ⁽¹⁾ (\$/boe)	61.24	70.00	-13 %
Corporate netback ⁽¹⁾ (\$/boe)	55.99	61.94	-10 %

(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.

(2) Working capital refers to "current assets" less "current liabilities", as these terms are defined by Canadian GAAP.

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, as well as ownership in oil sands and petroleum and natural gas leases in Alberta. 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 increased drilling activity on Source Rock's royalty lands given the higher oil price environment, including on Source Rock's Clearwater royalty lands, increased enhanced oil recovery activities on Source Rock's royalty lands given the higher oil price environment, including on Source Rock's Clearwater royalty lands, Source Rock's ability to complete additional royalty acquisitions in a high or low oil price environment, Source Rock's dividend strategy and the amount and timing of future dividends (and the sustainability thereof), 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, Source Rock's intention to pursue additional Crown land leases, Source Rock's ability to enter into farm-out transactions for the development of the land leases on terms acceptable to Source Rock or at all, and the potential for future drilling on Source Rock's royalty lands, including pursuant to such farm-out transactions. 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.

Oil and Gas Advisory

Source Rock has adopted the standard of 6 mcf: 1 bbl when converting natural gas to oil equivalent. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 mcf: 1 bbl, utilizing a conversion ratio of 6 mcf: 1 bbl may be misleading as an indication of value.

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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