

Source Rock Royalties Ltd.
Condensed Interim Financial Statements

As at and for the three and six months ended June 30, 2023
(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 and six months ended June 30, 2023.

Source Rock Royalties Ltd.
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
(unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 7,716,650	\$ 13,152,502
Trade and other receivables (note 3)	1,135,917	1,094,826
Prepaid expense	78,150	44,947
Total current assets	8,930,717	14,292,275
Non-current assets		
Petroleum and natural gas interests (note 4)	17,899,942	14,057,591
Intangible (note 5)	250,000	250,000
Deferred tax	253,021	218,330
Total assets	\$ 27,333,680	\$ 28,818,196
Liabilities		
Current liabilities		
Trade and other payables	\$ 31,514	\$ 26,853
Corporate taxes payable	-	678,498
Dividends payable (note 12)	246,932	673,450
Total current liabilities	278,446	1,378,801
Total liabilities	278,446	1,378,801
Shareholders' equity		
Share capital (note 7a)	26,292,227	26,292,227
Warrants	306,682	306,682
Contributed surplus (note 7b)	16,506,980	16,130,994
Deficit	(16,050,655)	(15,290,508)
Total shareholders' equity	27,055,234	27,439,395
Total liabilities and shareholders' equity	\$ 27,333,680	\$ 28,818,196

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

Source Rock Royalties Ltd.
Condensed Interim Statements of Income and Comprehensive Income
(Expressed in Canadian dollars)
(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Royalty revenues (note 8)	\$ 1,526,946	\$ 1,903,802	\$ 2,907,197	\$ 3,431,188
Expenses				
Administrative expenses	163,036	188,150	385,767	313,533
Share-based compensation (note 6 and 7c)	190,163	22,698	375,986	45,396
Depletion (note 4)	766,296	540,867	1,432,706	1,079,396
Impairment (note 4)	-	-	-	-
Total expenses	1,119,495	751,715	2,194,459	1,438,325
Income (loss) for the period	407,451	1,152,087	712,738	1,992,863
Other income				
Interest	115,210	26,702	250,713	33,179
Income (loss) before taxes	522,661	1,178,789	963,451	2,026,042
Provision for income taxes				
Current tax expense	162,492	312,744	344,044	548,793
Deferred tax recovery	(71,694)	(38,572)	(34,691)	(74,468)
Income tax expense (recovery)	90,798	274,172	309,353	474,325
Total comprehensive income (loss)	\$ 431,863	\$ 904,617	\$ 654,098	\$ 1,551,717
Income (loss) per share, basic	\$ 0.010	\$ 0.020	\$ 0.015	\$ 0.039
Income (loss) per share, diluted	\$ 0.009	\$ 0.020	\$ 0.014	\$ 0.039
Weighted average number of shares:				
Basic	44,896,645	44,896,645	44,896,645	39,750,883
Diluted	46,295,043	45,383,820	46,256,947	40,253,605

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

Source Rock Royalties Ltd.
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(unaudited)

	Share capital	Warrants	Contributed surplus	Deficit	Total shareholders' equity
As at December 31, 2021	\$ 13,984,321	\$ -	\$ 15,731,541	\$ (15,154,764)	\$ 14,561,098
Shares issued for cash (note 7a)	13,494,008	-	-	-	13,494,008
Warrants (note 7a)	-	306,682	-	-	306,682
Share issuance costs, net of deferred tax benefit of \$354,290	(1,186,102)	-	-	-	(1,186,102)
Share-based compensation (note 7c and 7d)	-	-	399,453	-	399,453
Dividends (note 7e)	-	-	-	(2,693,798)	(2,693,798)
Total comprehensive income for the year	-	-	-	2,558,054	2,558,054
As at December 31, 2022	\$ 26,292,227	\$ 306,682	\$ 16,130,994	\$ (15,290,508)	\$ 27,439,395
Share-based compensation (note 7c and 7d)	-	-	375,986	-	375,986
Dividends (note 7e)	-	-	-	(1,414,245)	(1,414,245)
Total comprehensive income for the period	-	-	-	654,098	654,098
As at June 30, 2023	\$ 26,292,227	306,682	16,506,980	(16,050,655)	27,055,234

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

Source Rock Royalties Ltd.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Operating activities				
Net comprehensive income (loss) for the period	\$ 431,863	\$ 904,617	\$ 654,098	\$ 1,551,717
Adjustments for:				
Share-based compensation (note 7c and 7d)	190,163	22,698	375,986	45,396
Depletion (note 4)	766,296	540,867	1,432,706	1,079,396
Deferred income taxes recovery	(71,694)	(38,572)	(34,691)	(74,468)
Change in non-cash working capital balances				
Trade and other receivables	(101,922)	175,949	(41,091)	(151,823)
Prepaid expenses	(33,723)	(11,281)	(33,203)	(64,828)
Trade and other payables	(33,313)	(347,460)	4,661	(89,056)
Corporate taxes payable	(165,109)	134,445	(678,498)	370,494
Cash flows from operating activities	982,561	1,381,263	1,679,968	2,666,828
Financing activities				
Dividends paid to shareholders (note 7a)	(1,167,313)	(673,449)	(1,840,763)	(673,449)
Return of capital (note 7a)	-	-	-	(443,438)
Proceeds from shares issued (note 7a)	-	-	-	13,494,008
Proceeds from warrants issued (note 7a)	-	-	-	306,682
Share issuance costs	-	(10,318)	-	(1,376,112)
Cash flows used in financing activities	(1,167,313)	(683,767)	(1,840,763)	11,307,691
Investing activities				
Purchase of petroleum and natural gas interests (note 4)	(3,471,446)	-	(5,275,057)	-
Cash flows used in investing activities	(3,471,446)	-	(5,275,057)	-
Increase (decrease) in cash and cash equivalents	(3,656,198)	697,496	(5,435,852)	13,974,519
Cash and cash equivalents, beginning of period	11,372,848	14,769,345	13,152,502	1,492,322
Cash and cash equivalents, end of period	\$ 7,716,650	\$ 15,466,841	\$ 7,716,650	\$ 15,466,841

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

Source Rock Royalties Ltd.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023
(unaudited)

1. REPORTING ENTITY

Source Rock Royalties Ltd. ("Source Rock" or the "Company") was 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 gas royalties and mineral title interests. The Company has a light 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, 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 August 29, 2023.

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, 2022. 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.

These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2022.

Source Rock Royalties Ltd.

Notes to the Condensed Interim Financial Statements

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b) Estimates

The timely preparation of the unaudited 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 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, 2022.

3. TRADE AND OTHER RECEIVABLES

Accounts receivable and accrued royalty revenues	As at June 30, 2023		As at December 31, 2022	
Trade receivable and accrued royalty revenue	\$	1,159,266	\$	1,100,678
Expected credit loss		(41,335)		(41,335)
GST receivable and other receivable		17,986		35,483
	\$	1,135,917	\$	1,094,826

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

The analysis of accounts receivable and accrued 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 June 30, 2023	\$ 1,117,931	\$ 1,066,614	\$ 51,317	\$ -	
As at December 31, 2022	\$ 1,059,343	\$ 1,059,343	\$ -	\$ -	

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).

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4. PETROLEUM AND NATURAL GAS INTERESTS

Cost		Total
Balance December 31, 2021	\$	22,571,172
Additions		3,616,536
Balance December 31, 2022	\$	26,187,708
Additions		5,275,057
Balance June 30, 2023	\$	31,462,765
Accumulated depletion		
Balance December 31, 2021	\$	9,949,076
Depletion		2,181,041
Balance December 31, 2022	\$	12,130,117
Depletion		1,432,706
Balance June 30, 2023	\$	13,562,823
Carrying amounts		
At December 31, 2022		14,057,591
At June 30, 2023	\$	17,899,942

2023:

On June 1, 2023, Source Rock acquired fee title mineral interests in two quarter sections of land (the "Fee Title") and a 2% GORR in approximately 5,800 gross acres (9 sections) of land in S.E. Saskatchewan (the "GORR Lands") for gross proceeds of \$3,315,000 (the "June 2023 Acquisition"), with an effective date of May 1, 2023. Sales proceeds for royalty production between the effective date and the closing date amounting to \$23,594 was deducted from the purchase price. Transaction costs related to the June 2023 Acquisition amounting to \$24,116 were added to the purchase price.

On April 18, 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of \$155,924.

On March 24, 2023, Source Rock acquired a 5% GORR in land located in Central Alberta for gross proceeds of \$1,600,000 (the "March 2023 Acquisition"), with an effective date of January 1, 2023. Sales proceeds for royalty production between the effective date and the closing date amounting to \$148,281 was deducted from the purchase price. Transaction costs related to the March 2023 Acquisition amounting to \$9,377 were added to the purchase price.

On January 4, 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of \$342,515.

2022:

On November 25, 2022, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for gross proceeds of \$3,500,000 (the "November 2022 Acquisition"), with an effective date of October 1, 2022. Sales proceeds for royalty production between the effective date and the closing date amounting to \$85,268 was deducted from the purchase price. Transaction costs related to the November 2022 Acquisition amounting to \$75,148 were added to the purchase price.

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On November 10, 2022, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of \$22,851.

On October 27, 2022, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of \$48,697.

On July 27, 2022, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of \$55,108.

Impairment

As June 30, 2023, there were no indicators of impairment on Source Rock's Cash Generating Units.

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 a future party 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, 2022, the Company had the following transactions with key personnel.

	Three months ended			Six months ended	
	June 30,			June 30,	
	2023	2022		2023	2022
Wages and consulting fees	\$ 79,500	\$ 79,500	\$	159,000	\$ 159,000
Share-based compensation	183,900	22,698		355,260	45,396
Total	\$ 263,400	\$ 102,198	\$	514,260	\$ 204,396

Share-based compensation includes share-based consulting fees and a charge for stock options. A share-based compensation expense was recorded for the vesting of previously issued stock options during the three and six months ended June 30, 2023, in the amount of \$12,516 (2022 - \$22,698 and \$29,936 (2022 - \$45,396), respectively. A share-based compensation expense was recorded relating to RSUs and DSUs during the three and six months ended June 30, 2023, in the amount of \$171,384 (2022 - \$nil) and \$325,324 (2022 - \$nil), respectively.

In addition, during the three and six month periods ended June 30, 2023, \$31,987 (2022 - 277,418) and \$55,165 (2022 - \$386,117), 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 the Company's initial public offering ("IPO") and general corporate matters.

All transactions were in the normal course of operations and were measured at the amount of consideration agreed to by both parties. As at June 30, 2023, there was \$779 (December 31, 2022 - \$1,895) in trade payables and accrued liabilities relating to these transactions.

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Notes to the Condensed Interim Financial Statements

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7. SHARE CAPITAL

a) Common shares

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

	June 30, 2023		December 31, 2022	
	# of common shares	Amount	# of common shares	Amount
Balance, beginning of period	44,896,645	\$ 26,292,227	29,562,559	\$ 13,984,321
Shares issued for cash(i)	-	-	15,334,100	13,494,008
Share issuance costs, net of deferred tax benefit of \$351,917	-	-	-	(1,186,102)
Fractional shares canceled	-	-	(14)	-
Balance, end of period	44,896,645	\$ 26,292,227	44,896,645	\$ 26,292,227

- (i) On March 1, 2022, Source Rock closed the IPO, through the issuance of 13,667,100 Units at a price of \$0.90 pursuant to a final prospectus dated February 23, 2022, for gross proceeds of \$12,300,390. Each Unit was comprised of one Common Share (with an ascribed value of \$0.88) and one half of one warrant (with an ascribed value of \$0.02) to purchase an additional Common Share at \$1.25 for a period of two years (the "Warrants"). The IPO was completed by a syndicate of underwriters co-led by PI Financial Corp (as Sole Bookrunner) and Acumen Capital Finance Partners Limited, together with Haywood Securities Inc., Canaccord Genuity Corp. and ATB Capital Markets Inc. On March 16, 2022, Source Rock closed the over-allotment portion of the IPO through the issuance of an additional 1,667,000 Units, for gross proceeds of \$1,500,300.

b) Contributed surplus

Balance, December 31, 2021	\$ 15,731,541
Share-based compensation (note 8c and 8d)	399,453
Balance, December 31, 2022	\$ 16,130,994
Share-based compensation (note 7c)	375,986
Balance, June 30, 2023	\$ 16,506,980

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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 June 30, 2022 and the changes for the current year, is:

	Outstanding	Weighted average remaining contractual life (in years)		weighted average exercise price
Balance, December 31, 2021	2,490,000	2.1	\$	0.72
Granted	400,000	4.6	\$	0.90
Expired	(650,000)	-		0.90
Balance, December 31, 2022	2,240,000	2.6	\$	0.67
Cancelled	(40,000)	1.9		0.67
Balance, June 30, 2023	2,200,000	2.1	\$	0.67

For the three and six months ended June 30, 2023, the Company has recorded \$17,069 (2022 - \$22,698) and \$39,041 (2022 - \$45,396) in share-based compensation expense for the vesting of issued stock options with a corresponding amount credited to contributed surplus. As of June 30, 2023, the Company has 2,016,667 (December 31, 2022 – 1,956,667) exercisable stock options.

The fair value of stock options granted in 2022 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2022
Exercise price	\$0.90
Dividend yield	Nil
Expected volatility	35-45%
Risk-free interest rate	2.5%
Expected life	5 Year
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 nor have any 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'

Source Rock Royalties Ltd.

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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 June 30, 2023, and the changes for the current year, is:

	Outstanding	Weighted average grant price
Balance, December 31, 2021	-	\$ -
Granted	307,500	0.82
Dividends	6,318	0.73
Balance, December 31, 2022	313,818	\$ 0.82
Dividends	17,191	0.78
Balance, June 30, 2023	331,009	\$ 0.82

For the three and six months ended June 30, 2023, the Company has recorded \$46,873 (2022 - nil) and \$90,435 (2022 - nil), respectively, 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 June 30, 2023, and the changes for the current year, is as follows:

	Outstanding	Weighted average grant price
Balance, December 31, 2021	-	\$ -
Granted	552,500	0.82
Dividends	9,709	0.73
Balance, December 31, 2022	562,209	\$ 0.82
Dividends	30,797	0.78
Balance, June 30, 2023	593,006	\$ 0.82

For the three and six months ended June 30, 2023, the Company has recorded \$126,221 (2022 - nil) and \$246,510 (2022 - nil), respectively, in share-based compensation expense with respect to DSUs, with a corresponding amount credited to contributed surplus.

e) Dividends

During the three and six months ended June 30, 2023, the Company declared dividends of \$740,795 (2022 - \$673,449) and \$1,414,245 (2022 - \$1,346,898), respectively. The total dividends paid during the three and six months ended June 30, 2023 was \$1,167,313 (2022 - \$673,449) and \$1,840,763 (2022 - \$673,449), respectively. In addition, during the six months ended June 30, 2022, the Company paid \$443,438 to shareholders in the form of a "return of capital".

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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.

Revenue and other revenue by product	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Oil	\$ 1,489,744	\$ 1,810,607	\$ 2,823,279	\$ 3,278,448
Natural gas	18,444	56,224	43,700	92,063
NGL	18,758	36,971	40,218	60,677
Total royalty revenue	\$ 1,526,946	\$ 1,903,802	\$ 2,907,197	\$ 3,431,188

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 the 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.

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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 June 30, 2023.

12. SUBSEQUENT EVENTS

On July 19, 2023, pursuant to its Restricted Share Unit and Deferred Share Unit Compensation Plan, Source Rock granted (i) 292,500 deferred share units (each, a "DSU"); and (ii) 665,000 restricted share units (each, a "RSU"), to officers, directors and consultants. Each DSU represents the right to receive one common share of Source Rock upon the holder of such DSU ceasing to be an officer, director or consultant of Source Rock. The DSUs shall vest one year after being granted. Each RSU 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. The RSUs shall vest 1/3 on July 19, 2024, 1/3 on July 19, 2025 and 1/3 on July 19, 2026.

On July 14, 2023, Source Rock paid a \$0.0055 per share dividend to shareholders of record on June 30, 2023, which was approved by Source Rock's Board of Directors on June 15, 2023. On August 15, 2023, Source Rock paid a \$0.0055 per share dividend to shareholders of record on July 31, 2023, which was approved by Source Rock's Board of Directors on July 14, 2023. These dividends were designated as an "eligible dividend" for Canadian income tax purposes.

On August 1, 2023, Source Rock re-engaged Brisco Capital Partners Corp. ("Brisco") to provide marketing and investor relations services (the "Services") to assist Source Rock with expanding investor awareness of its business and actively communicating with the investment community. In consideration for the Services, Source Rock will pay Brisco a monthly fee of \$7,500 plus an additional \$2,500 fee per travel marketing event arranged and attended by Brisco. Source Rock has engaged Brisco for a term of 12 months, however Source Rock can terminate the engagement at any time upon giving 30 days notice to Brisco. Source Rock has also granted to Brisco an additional 100,000 stock options to purchase common shares for a period of 5 years at a price of \$0.90 per share.