Management's Discussion and Analysis
Three Months Ended March 31, 2023

This Management's Discussion and Analysis ("MD&A") is management's opinion about the operating and financial results of Source Rock Royalties Ltd. ("Source Rock" or the "Corporation") for the three-month period ended March 31, 2023 ("Q1 2023"), and previous periods, and the outlook for Source Rock based on information available as of May 29, 2023.

The financial information contained herein is based on information in the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts contained herein are expressed in Canadian currency, unless otherwise noted. This MD&A should be read in conjunction with Source Rock's audited financial statements for the year ended December 31, 2022, together with the accompanying notes.

This MD&A contains additional GAAP measures, non-GAAP measures, and forward-looking statements that are intended to help readers better understand Source Rock's business and prospects. References are made to "Adjusted EBITDA" and "funds from operations" 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 Canadian GAAP and therefore are referred to as non-GAAP financial measures and ratios. The non-GAAP financial measures and ratios used by Source Rock may not be comparable to similar measures used by other companies. Please refer to the disclosure under the "Non-GAAP Financial Measures & Ratios" and the "Forward-Looking Statements" sections of this MD&A.

SUMMARY OF RESULTS

	Three Months Ended March 31,		
FINANCIAL ($, except as noted)	2023	2022	Change
Royalty revenue	1,380,251[1]	1,527,386	-10%
Adjusted EBITDA[2]	1,157,520	1,402,003	-17%
Per share (basic)	0.026	0.041	-37%
Funds from operations[2]	1,111,471	1,172,431	-5%
Per share (basic)	0.025	0.034	-26%
Total comprehensive income (loss)	222,235	647,100	-66%
Per share (basic)	0.005	0.019	-74%
Per share (diluted)	0.005	0.018	-72%
Dividends Declared	673,450	443,438	52%
Per share	0.015	0.015	-
Payout ratio[2] (%)	61%	38%	61%
Cash and cash equivalents	11,372,848	14,769,345	-23%
Per share (basic)	0.25	0.33	-24%
Average shares outstanding (basic)	44,896,645	34,547,946	30%
Shares outstanding (end of period)	44,896,645	44,896,645	-
OPERATING			
Average daily production (boe/d)	180[3]	166	8%
Percentage oil & NGLs (%)	90%	92%	-2%
Average price realizations ($/boe)	85.16	102.47	-17%
Operating Netback ($/boe)[2]	71.45	94.07	-24%
Corporate Netback ($/boe)[2]	68.61	78.67	-13%

(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.

BUSINESS OVERVIEW

Source Rock is a dividend-paying corporation incorporated under the laws of the Province of Alberta. Source Rock is indirectly involved in the development and production of oil, natural gas liquids ("NGLs") and natural gas, exclusively in western Canada. Source Rock receives revenue from its royalty interests as reserves are produced by the operators over the economic life of the lands. Source Rock is exclusively focused on acquiring and managing oil and gas royalties and mineral interests.

Source Rock has a light oil focused portfolio of royalty interests concentrated in S.E. Saskatchewan, east-central Alberta, west-central Alberta and west-central Saskatchewan. Source Rock is focused on acquiring royalties in lands that have foreseeable future drilling potential and which are operated by fiscally and operationally prudent third parties. Source Rock is further focused on establishing working relationships 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. Source Rock does not incur any ongoing costs to develop, operate, enhance or optimize the lands in which it has royalties, nor does it have any exposure to abandonment or reclamation obligations associated with its royalty lands.

The Advantages of Royalties

Source Rock benefits from the drilling activity, optimization efforts and enhanced recovery activity, if any, of the operators of its royalty lands. Royalties offer the benefit of sharing in production revenue without exposure to the capital costs to drill and equip wells for production, operating costs associated with bringing production online and maintaining production and environmental costs associated with abandoning wells and ultimately restoring the land on which wells were drilled to its original state.

Source Rock owns the following royalty interests:

- Various gross overriding royalty ("GORR") interests in S.E. Saskatchewan.
- A production volume royalty in Viking mineral rights in east-central Alberta.
- Various GORR’s in central Alberta.
- Various GORR’s in the west-central Saskatchewan Viking light oil play.

Source Rock is actively pursuing the acquisition of additional GORR’s, lessor royalties and mineral interests in the Western Canadian Sedimentary Basin ("WCSB").

Source Rock’s Strategy

Our operational goal is to provide shareholders with low risk and low capital cost exposure to oil, NGLs and natural gas production in the WCSB. Executing on this strategy will occur through the acquisition of low-decline and long-life, high netback producing royalties with identifiable upside drilling potential and drill-ready mineral title interests. Although we may participate in bidding on royalties that are marketed for sale, it is our intention to leverage our industry relationships to access opportunities to purchase royalties and/or to create royalties in lands that are not auctioned through a competitive bidding process. We will mitigate the risk associated with not operating the lands from which we derive royalty production by targeting royalty interests in lands operated by successful and well-funded companies that are operationally focused in the areas where our royalty lands are located. In addition, our focus will be on royalties in areas that are providing strong rates of return for the operators.

We intend to maintain a prudent, repeatable, scalable and sustainable corporate platform that minimizes administrative costs, maximizes per share growth and that permits payment of a sustainable yield.

BUSINESS ENVIRONMENT

Commodity Prices

Crude Oil

The West Texas Intermediate ("WTI") benchmark crude oil price average decreased by 8% to $75.99 (US$) in Q1 2023 compared to the fourth quarter of 2022 ("Q4 2022") and was 19% lower than during the first quarter of 2022 ("Q1 2022"). Source Rock's realized price on crude oil is primarily based on Mixed Sweet Blend ("MSW") Par at Edmonton, Alberta and Light Source Blend ("LSB") Par at Cromer, Manitoba oil prices. Crude oil market fundamentals continue to seem constructive based on the global demand outlook and ongoing slow supply growth. However, concerns about the global economy and onset of banking sector turmoil led to concern about contagion across all industries and this weighed on commodity prices.

	Three months Ended March 31,		
BENCHMARK AVERAGES	**2023**	**2022**	**Change**
WTI oil (US$/bbl)	76.13	94.29	-19%
Cdn$/US$ exchange rate	1.35	1.27	6%
WTI oil (C$/bbl)	102.90	119.40	-14%
MSW par oil at Edmonton (C$/bbl)	99.31	115.63	-14%
LSB par oil at Cromer (C$/bbl)	96.65	116.23	-17%
AECO natural gas price (C$/mcf)	3.22	4.74	-32%

We currently receive payment for royalty production directly from the operators of our royalty lands, however we do maintain the right to take our production 'In Kind'.

The Royalty Market

The marketplace for existing royalties is active, as both junior and mid-cap oil and gas operators seek to dispose of non-core royalty assets, reduce debt and maintain active development programs. Although cash flow has increased materially for operators, issuing a royalty interest in their existing lands or new acquisitions is still a potentially attractive source of capital for many companies. We continue to identify opportunities to work with issuers to establish relationships and create royalties in their acquisitions and/or existing production and undeveloped mineral interests to assist with funding their development plans or their desired acquisitions. Despite the availability of royalty acquisitions, the royalty market continues to be competitive for royalties in the highest quality regions of the WCSB and with the strongest counterparties.

Operational Update, Outlook & Forecasts

Acquisition Activities

In March 2023, Source Rock acquired a 5% GORR in three light oil properties in Central Alberta (the "Alberta GORR Lands"). The purchase price was $1.6 million, and the transaction had an effective date of January 1, 2023. The Alberta GORR Lands are operated by a private Calgary-based oil and gas company (the "Royalty Partner") and include all the Royalty Partner's mineral interests in which they have rights to produce oil. The Royalty Partner's oil production from the Alberta GORR Lands was 420 bbl/d of low-decline light oil in January 2023 (21 bbl/d of light oil royalty production). Approximately 90% of the current oil production from the Alberta GORR Lands is under waterflood. As part of the purchase, Source Rock received a capital commitment for $3.2 million in operations to be completed on the Alberta GORR Lands prior to December 31, 2024 (the "Capital Commitment"). Operations associated with the Capital Commitment will be focused on optimizing and recompleting existing wellbores and additional waterflood initiatives.

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

Acquisition Marketplace Discussion

Higher commodity prices have created increased value expectations from sellers of royalty interests despite public company valuations compressing materially. This market dynamic has increased our patience with respect to completing acquisitions, however we continue to actively pursue the acquisition of new royalty interests to expand and diversify our portfolio of assets in a prudent and disciplined manner.

Despite the royalty market being competitive, Source Rock continues to identify attractive acquisition opportunities that are not being marketed for sale. Source Rock remains focused on specific regions of the WCSB and building a strong base of royalty revenue and upside drilling potential, primarily from oil production and mineral interests. Given the competitive landscape of the royalty market, Source Rock is keen on establishing working relationships with operators through which we can position future acquisition opportunities.

Initial Public Offering

On March 1, 2022, Source Rock closed its initial public offering (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 and one half of one warrant 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 2, 2022, Source Rock's Common Shares began trading on the TSX Venture Exchange (the "TSXV") under the symbol "SRR" and the Warrants began trading under the symbol "SRR.WT".

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.

Revised Royalty Terms

Source Rock's Alberta Viking light oil royalty lands (the "Alberta Viking Lands") were shut-in from April 1, 2020 to September 15, 2020 due to the significant drop in oil prices. To facilitate having the operator of the Alberta Viking Lands resume production efficiently, Source Rock agreed to temporary revised terms relating to its royalty interest in these lands. These revised terms were set to expire on December 31, 2020. Source Rock agreed to an extension to these revised terms on the basis that the maximum barrel per day entitlement be increased.

From January 1, 2021 to December 31, 2021 (the "Additional Interim Period"), Source Rock's entitlement to royalty production from the Alberta Viking Lands was determined based on the realized sales price (C$) for oil production during each calendar month, as follows:

Monthly Average Price	Royalty Production
$50.00 or lower	50 bbl/d
$50.01 to $52.50	60 bbl/d
$52.51 to $55.00	65 bbl/d
$55.01 to $57.50	70 bbl/d
$57.51 to $60.00	75 bbl/d
$60.01 or $62.50	80 bbl/d
$62.51 to $65.00	85 bbl/d
$65.01 to $67.50	90 bbl/d
$67.51 or higher	95 bbl/d

As of December 31, 2021, Source Rock had an accrued right to 16,805 barrels of light oil production (the "Accumulated Barrels") that were not delivered pursuant to the terms of the royalty agreement that governs the Alberta Viking Lands (the "Alberta Viking Royalty Agreement").

Effective January 1, 2022, the Additional Interim Period ended and Source Rock's royalty interest in the Alberta Viking Lands reverted to the original terms of the Alberta Viking Royalty Agreement (subject to negotiated changes to allow Source Rock to receive the Accumulated Barrels on a reasonable timeline), being:

- 2022 - 95 bbl/d;
- 2023 to 2034 - 20% lower on a per day basis than the prior calendar year; and
- January 1, 2035 - conversion to a 0.50% GORR in the Hamilton Lake Unit or a $500,000 pay-out, at the discretion of the royalty payor.

On January 26, 2023, Source Rock made a formal demand for a schedule to be established for Source Rock to receive the Accumulated Barrels. Effective January 1, 2023, Source Rock agreed to receive the Accumulated Barrels on the following schedule (the "Accumulated Barrel Schedule"):

- 2023 - 9 bbl/d;
- 2024 - 14.2 bbl/d; and
- 2025 - 21.36 bbl/d.

Following incorporation of the Accumulated Barrel Schedule, effective January 1, 2023, Source Rock will receive production from the Alberta Viking Lands as follows:

- 2023 – 85 bbl/d;
- 2024 – 75 bbl/d;
- 2025 – 70 bbl/d;
- 2026 – 39 bbl/d; and
- 2027 to 2034 – 20% fewer bbl/d than the prior calendar year.

Subsequent Events

On April 12, 2023, Source Rock announced a transition to a monthly dividend and declared an inaugural monthly dividend of $0.0055 per share, to be paid in cash on May 15, 2023 to shareholders of record on April 28, 2023.

On April 14, 2023, Source Rock paid a $0.015 per share dividend to shareholders of record on March 31, 2023, which was approved by Source Rock's Board of Directors on March 15, 2023. This dividend was designated as an "eligible dividend" for Canadian income tax purposes.

In April 2023, Source Rock acquired a 2% GORR in land located in SE Saskatchewan for proceeds of $155,924.

On May 15, 2023, Source Rock declared a monthly dividend of $0.0055 per share, to be paid in cash on June 15, 2023 to shareholders of record on May 31, 2023.

QUARTERLY HIGHLIGHTS

Q1 2023 Highlights:

- Quarterly royalty revenue decreased by $147,135 (10%) to $1,380,251 as compared to Q1 2022, which totalled $1,527,386. 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.
- Record quarterly royalty production was achieved, which averaged 180 boe/d (90% oil & NGLs), an increase of 8% as compared to Q1 2022, which averaged 166 boe/d (92% oil & NGLs). Source Rock also benefited from 19 boe/d (100% oil) of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in March 2023.

- Record monthly royalty production was achieved in March 2023, which averaged 193 boe/d (93% oil & NGLs). Source Rock also benefited from 15 boe/d (100% oil) of royalty production in March that occurred after the effective date but prior to the closing date of an acquisition.
- Eight gross new horizontal wells were drilled on Source Rock's royalty lands, all of which were in S.E. Saskatchewan (7 Frobisher wells and 1 Midale well).
- Quarterly Adjusted EBITDA decreased by $244,483 (17%) to $1,157,520 (84% of revenue) as compared to Q1 2022, which totalled $1,402,003 (92% of revenue). This represents a decrease of 37% on a per share basis, primarily as a result of Source Rock completing the IPO and materially increasing its issued and outstanding common shares.
- Quarterly funds from operations decreased by $60,960 (5%) to $1,111,471 (81% of revenue) as compared to Q1 2022, which totalled $1,172,431 (77% of revenue). This represents a decrease of 26% on a per share basis, primarily as a result of Source Rock completing the IPO and materially increasing its issued and outstanding common shares but was offset by higher interest received on Source Rock's cash balance.
- Average realized price for royalty production was $85.16 per boe (90% oil & NGLs), a decrease of 17% as compared to $102.47 per boe (92% oil & NGLs) in Q1 2022.
- Achieved an Operating Netback of $71.45 per boe (Q1 2022 - $94.07) and a Corporate Netback of $68.61 per boe (Q1 2022 - $78.67).
- Ended Q1 2023 with available cash and cash equivalents of $11,372,848 (Q1 2022 - $14,769,345).
- Declared a quarterly dividend of $0.015 per common share.

ROYALTY PRODUCTION & REVENUE

		Three months ended March 31,		
		2023		2022
Average daily production (boe/d)		180(1)		166
Percentage oil & NGLs		90%		92%
Average realized price ($/boe)	$	85.16	$	102.47
Royalty revenue	$	1,380,251(2)	$	1,527,386

(1) 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.

(2) 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.

For Q1 2023, royalty revenue decreased by $147,135 (10%) to $1,380,251 as compared to Q1 2022, which totalled $1,527,386. The decrease in revenue resulted from lower realized pricing and was offset by higher royalty production volumes. For Q1 2023, royalty production averaged 180 boe/d (90% oil & NGLs), an increase of 8% as compared to Q1 2022, which averaged 166 boe/d (92% oil & NGLs). For Q1 2023, the average realized price for royalty production was $85.16 per boe (90% oil & NGLs), a decrease of 17% as compared to $102.47 per boe (92% oil & NGLs) in Q1 2022.

Given the size and industry experience of most of the operators of our producing royalty lands, we do not feel as though taking royalty production 'In Kind' and marketing the production for sale ourselves is necessary, nor would it provide any direct benefit. We maintain the option in the future to take our royalty production 'In Kind'.

EXPENSES

OPERATING EXPENSE

As a royalty owner, we share in production revenue without incurring the operational costs, risks, and responsibilities typically associated with oil, NGL and natural gas production and operations. As a result, Source Rock does not incur any operating costs.

ADMINISTRATIVE EXPENSES

	Three months ended March 31,			
		2023		2022
Administrative expenses	$	222,731	$	125,383

Administrative expenses primarily consisted of professional fees, management wages, consulting fees, corporate service fees, insurance costs, listing fees and investor relations & marketing expenses. For Q1 2023, administrative expenses increased by $97,348 (78%) to $222,731 as compared to $125,383 in Q1 2022. The increase in administrative expenses during Q1 2023 was primarily the result of increased costs associated with Source Rock being listed on the TSXV, including but not limited to, the TSXV listing fee, and higher fees associated with reserves evaluation and investor relations. A material portion of such fees are only incurred one-time per year so are not recurring each quarter. Source Rock also had higher legal fees in Q1 2023, which primarily related to positioning the receipt of the Accumulated Barrels from the Alberta Viking Lands.

RELATED PARTY TRANSACTIONS

Key personnel include the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and the Directors of the Corporation. For the three month periods ended March 31, 2023 and 2022, Source Rock incurred the following items with key personnel:

	Three months ended March 31,			
		2023		2022
Wage & Consulting fees	$	79,500	$	79,500
Share-based compensation(1)		166,457		22,698
Total fees	$	245,957	$	102,198

(1) See "Share-based Compensation".

In addition, during Q1 2023, $22,885 (2022 - $258,372) was incurred to a law firm at which the Corporate Secretary of the Corporation is a Partner. These fees primarily related to general corporate matters and work associated with the closing of royalty acquisitions.

All transactions were in the normal course of operations and were measured at fair value, which was the amount of consideration established by Source Rock's Compensation Committee (comprised entirely of independent directors of the Corporation), or the Corporation's management, and agreed to by both parties. As at March 31, 2023, there was $12,975 (2022 - $1,895) in trade payables and accrued liabilities relating to these transactions.

SHARE-BASED COMPENSATION

		Three months ended March 31,		
		2023		2022
Share-based compensation	$	185,822	$	22,698

Share-based compensation includes share-based consulting fees and a charge for stock options, RSUs and DSUs (as defined below). During Q1 2023, a share-based compensation charge was recorded for the vesting of previously issued stock options, RSUs and DSUs (as defined below) in the amount of $185,822 (2022 - $22,698).

Stock Option Plan

The Corporation has a "rolling" 10% stock option plan, which became effective on July 2, 2013 (the "Option Plan"). The Option Plan provides all option holders the right to acquire common shares upon exercise of the options in accordance with their terms. Source Rock follows the fair value method for accounting using the Black-Scholes option pricing model whereby the compensation expense is recognized for the stock options on the date of grant and amortized over the option’s vesting period. See "*Shares Outstanding*".

Restricted Share Unit and Deferred Share Unit Compensation Plan

On July 8, 2022, pursuant to its Restricted Share Unit and Deferred Share Unit Compensation Plan (the "RSU/DSU Plan"), Source Rock granted (i) 472,500 deferred share units (each, a "DSU"); and (ii) 307,500 restricted share units (each, a "RSU"), to officers, directors and consultants. On October 31, 2022, Source Rock granted 80,000 DSU’s to its President & CEO in lieu of his cash salary.

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. 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 DSU’s will vest one year after being granted. The RSU's will vest 1/3 each year following the date of grant. In addition, RSU and DSU dividend equivalents, as applicable, are granted on outstanding RSU’s and DSU’s on the payment date for each dividend declared.

DEPLETION

		Three months ended March 31,		
		2023		2022
Depletion	$	666,410	$	538,529
Per boe ($)		41.14		36.13

Royalty interests are depleted on the unit-of-production method based on an internal estimate of proved plus probable oil, NGLs and natural gas reserves. For Q1 2023, the depletion expense was $666,410 (2022 - $538,529). The cost per barrel of oil equivalent of production increased in Q1 2023 to $41.14.

IMPAIRMENT

Source Rock groups its GORR's into cash generating units ("CGU's") for the purpose of evaluating the carrying value of its petroleum and natural gas interests. The recoverable amounts were determined using fair value less cost to sell. The estimated recoverable amount of the Corporation's assets involved certain significant estimates including the future cash flows expected to be derived from each CGU and the discount rate. The significant assumptions used by the Corporation in determining the future cash flow estimates related to future royalty production and future realized commodity prices. The fair value measurement is designated Level 3 on the fair value hierarchy. Changes in any of the significant estimates and assumptions, such as a downward revision in future royalty production, a decrease in future realized commodity prices, or an increase in the discount rate would have decreased the recoverable amounts of assets and any impairment charges would affect operating results. The other key assumptions used in determining the recoverable amount included the future cash flows using a market discount rate of 10%.

As at March 31, 2023 and March 31, 2022, there were no indicators of impairment and therefore no impairment testing was completed.

OTHER INCOME

	Three months ended March 31,			
		2023		2022
Interest	$	135,503	$	6,477

Interest income fluctuates based on the amount of excess cash that Source Rock has on its balance sheet during the period and what interest rates are available to the Corporation. Any excess cash held by Source Rock is invested in term deposits or GIC's that currently pay between 4% and 4.75% in interest an annualized basis.

INCOME TAXES

The Corporation is a "public corporation" pursuant to the *Income Tax Act (Canada).* As a result, the Corporation's statutory tax rate is approximately 23%.

Tax Pools

The Corporation is entitled to claim certain tax deductions available to all owners of oil and gas properties. For Source Rock the principal deduction is the Canadian Oil and Gas Property Expense. Source Rock's tax pools are relatively modest as it has low capital expenditure requirements due to the nature of royalty interests.

Cash Taxes

The Corporation estimates that it will be required to pay $181,552 in cash taxes for Q1 2023 (2022 - $236,049). However, the actual amount of taxes owing for this period could be subject to adjustment.

The Corporation expects to pay cash taxes consistently going forward. The anticipated amount of taxes is influenced by, among other factors, royalty production volumes, commodity prices, changes in tax laws, newly acquired tax pools via the acquisition of additional royalties (and the timing in each fiscal year of such acquisitions) and the amount of expenses and financing costs incurred by Source Rock.

QUARTERLY REVIEW

Quarterly variances in revenues, net income/(loss) and funds from operations are caused mainly by fluctuations in realized commodity prices and production volumes. Commodity prices are generally determined by global supply and demand factors, and the variances do not have seasonable predictability.

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Royalty revenue	$ 1,380,251	$ 1,504,421	$ 1,554,910	$ 1,903,802
Adjusted EBITDA[1]	$ 1,157,520	$ 1,399,621	$ 1,219,346	$ 1,715,652
Funds from operations[1]	$ 1,111,471	$ 1,411,440	$ 1,115,225	$ 1,429,610
Total comprehensive income (loss)	$ 222,235	$ 559,447	$ 446,890	$ 904,617
Per share (basic)	$ 0.005	$ 0.012	$ 0.010	$ 0.020
Per share (diluted)	$ 0.005	$ 0.012	$ 0.010	$ 0.020
Average daily production (boe/d)	180	169	160	168
Percentage oil & NGLs (%)	90%	92%	92%	92%
Current assets	$ 12,451,270	$ 14,292,275	$ 17,077,092	$ 16,511,822
Total assets	$ 28,077,389	$ 28,818,196	$ 28,716,364	$ 28,587,478
Total current liabilities	$ 903,386	$ 1,378,801	$ 1,340,180	$ 1,161,577
Shareholder equity	$ 27,714,003	$ 27,439,395	$ 27,376,184	$ 27,425,901
Weighted average number of shares outstanding (basic)	44,896,645	44,896,645	44,896,645	44,896,645

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Royalty revenue	$ 1,527,386	$ 1,247,171	$ 1,161,759	$ 1,045,974
Adjusted EBITDA[1]	$ 1,402,003	$ 1,103,532	$ 1,007,864	$ 947,038
Funds from operations[1]	$ 1,172,431	$ 1,021,224	$ 1,007,864	$ 947,319
Total comprehensive income (loss)	$ 647,100	$ 571,114	$ 83,480	$ 195,727
Per share (basic)	$ 0.019	$ 0.014	$ 0.003	$ 0.007
Per share (diluted)	$ 0.018	$ 0.013	$ 0.003	$ 0.006
Average daily production (boe/d)	166	166	170	164
Percentage oil & NGLs (%)	92%	90%	94%	95%

Current assets	$	15,978,994	$	2,484,932	$	1,770,071	$	1,488,716
Total assets	$	28,554,572	$	15,357,028	$	15,207,597	$	15,397,789
Total current liabilities	$	1,374,592	$	650,128	$	513,054	$	692,758
Shareholder equity	$	27,179,980	$	14,561,098	$	14,409,995	$	14,543,781
Weighted average number of shares outstanding (basic)		34,547,946		29,562,559		29,548,945		29,322,985

(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.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Relating to Operating Activities and Working Capital

		Three months ended March 31,		
		2023		2022
Cash flows from operating activities	$	697,407	$	1,285,565
Change in non-cash working capital balances		414,064		(113,134)
Funds from operations(1)	$	1,111,471	$	1,172,431
Per Share ($)		0.025		0.034

(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.

The Corporation generates cash flows from royalty interests, based on a combination of production volumes and sales volumes, which are typically paid 30 to 60 days following the end of the month in which they have been earned. These funds are used to pay monthly administrative expenses with the remainder to be retained to fund future capital expenditures and dividends.

As at March 31, 2023, Source Rock did not have any loans or other debt instruments outstanding, nor did it have any other material contractual obligations of a financial nature.

As at March 31, 2023, Source Rock had an overall positive working capital balance ("current assets" less "current liabilities" as defined by Canadian GAAP) of $11,547,884 (2022 - $14,604,402).

Financing Activities

		Three months ended March 31,		
		2023		2022
Dividends paid to shareholders'	$	(673,450)	$	-
Return of capital		-		(443,438)
Proceeds from shares issued		-		13,494,008
Proceeds from warrants issued		-		306,682
Share issuance costs		-		(1,365,794)
Cash flows from (used in) financing activities	$	(673,450)	$	11,991,458

During Q1 2023, dividends paid was $673,450 (Q1 2022 - $443,438). The payment made during Q1 2022 was paid to shareholders in the form of a "return of capital".

Investing Activities

		Three months ended March 31, 2023		2022
Purchase of petroleum and natural gas interests	$	(1,803,611)	$	-
Cash flows from (used in) investing activities	$	(1,803,611)	$	-

Three Months Ended March 31, 2023:

- On March 24, 2022, 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 totalling $148,281 was deducted from the purchase price. Transaction costs related to the March 2023 Acquisition totalling $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.

Three Months Ended March 31, 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 totalling $85,268 was deducted from the purchase price. Transaction costs related to the November 2022 Acquisition totalling $75,148 were added to the purchase price.
- 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.

Adjusted EBITDA

Adjusted EBITDA is calculated as follows:

		Three months ended March 31, 2023		2022
Income (Loss) before taxes	$	440,790	$	847,253
Add-back/(deduct)				
Depletion	$	666,410	$	538,529
Share-based compensation	$	185,823	$	22,698
Interest	$	(135,503)	$	(6,477)
Adjusted EBITDA[1]	$	1,157,520	$	1,402,003
Per Share (basic) ($)		0.026		0.041

(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.

Shares Outstanding

	March 31, 2023	December 31, 2022
Basic common shares outstanding at end of period	44,896,645	44,896,645
Common share stock options outstanding at end of period(1)	2,240,000	2,240,000
RSU's outstanding at end of period(2)(4)	320,448	313,818
DSU's outstanding at end of period(3)(4)	574,087	562,209
Total diluted common shares outstanding at end of period	48,031,180	48,012,672

(1) Stock options were issued on October 1, 2020, which vested 1/3 upon issuance and will vest 1/3 every year thereafter, have a 5-year term and are exercisable at $0.40 per stock option. Stock options were issued on July 1, 2019, which vested 1/3 upon issuance and will vest 1/3 every year thereafter, have a 5-year term and are exercisable at $0.85 per stock option. Stock options were issued on August 1, 2022, which vested 1/3 upon issuance and will vest 1/3 every year thereafter, have a 5-year term and are exercisable at $0.90 per stock option. Stock options were issued on September 1, 2022, which vested 1/3 upon issuance and will vest 1/3 every year thereafter, have a 5-year term and are exercisable at $0.90 per stock option.

(2) RSU's were granted on July 8, 2022, which will vest 1/3 on July 8, 2023, 1/3 on July 8, 2024 and 1/3 on July 8, 2025.

(3) DSU's were granted on July 8, 2022, which will vest on July 8, 2023. DSU's were granted on October 31, 2022, which will vest on October 31, 2023.

(4) RSU and DSU dividend equivalents, as applicable, are granted on outstanding RSU's and DSU's on the payment date for each dividend declared.

DIVIDEND POLICY

The Board of Directors will review the ability of the Corporation to pay a dividend on a monthly basis. The Corporation has established and maintains a dividend policy whereby dividends are financed from internally-generated funds from operations of the Corporation and the amount of cash distributed is determined at the discretion of the Board after consideration of numerous factors including: (i) funds from operations of the Corporation; (ii) funding requirements for the Corporation's operations and future royalty acquisition opportunities; (iii) the satisfaction by the Corporation of liquidity and solvency tests under the Business Corporations Act (Alberta); and (iv) if applicable, any provisions in agreements relating to indebtedness, as applicable, that restrict the declaration and payments of dividends. Our goal is to balance payment of a dividend with growth of our portfolio of royalties and always ensure that our balance sheet is strong.

NON-GAAP FINANCIAL MEASURES & RATIOS

This MD&A contains references to "Adjusted EBITDA" and "funds from operations" 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 Canadian GAAP and therefore are referred to as non-GAAP financial measures. The non-GAAP financial measures used by Source Rock may not be comparable to similar measures used by other companies.

"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.

"Funds from operations" is defined as cash flows from operating activities before the change in non-cash working capital. Funds from operations, as presented, is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to net income or other measures of financial performance calculated in accordance with GAAP. We consider funds from operations to be a key measure of operating performance as it demonstrates Source Rock's ability to generate the necessary funds to fund operations, pay dividends and repay debt, if applicable. We believe that such a measure provides a useful assessment of Source Rock's operations on a continuing basis by eliminating certain non-cash charges. It is also used by research analysts to value and compare oil and gas companies, and it is frequently included in their published research when providing investment recommendations. Funds from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.

"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.

CONVERSION OF NATURAL GAS TO BARRELS OF OIL EQUILVALENT (BOE)

Source Rock has adopted the standard conversion ratio of 6 Mcf:1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 barrel 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 that the value ratio based on the current price of crude oil as compared to natural gas is significantly different that the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

ADDITIONAL INFORMATION

Additional information about Source Rock is available on our website at www.sourcerockroyalties.com or by contacting Source Rock's management at brad@sourcerockroyalties.com or (403) 472-5767.

FORWARD-LOOKING STATEMENTS

This document offers our assessment of Source Rock's future plans and operations as at May 29, 2023, and contains forward-looking statements that we believe allow readers to better understand our business and prospects. Forward-looking statements are contained in this MD&A under the headings "Business Overview", "Business Environment" and "Dividend Policy", and include our expectations for the following:

- executing on the corporation's strategy of acquiring stable and long-life, high netback producing oil and gas royalties with upside drilling potential and drill ready mineral title interests in areas that are actively being developed by successful operators;
- maintaining a prudent, repeatable, scalable and sustainable corporate platform that minimizes operating costs, maximizes per share royalty revenue growth and ultimately that permits payment of a sustainable yield; and
- anticipating that the marketplace to acquire existing royalties will remain active, and that we expect to be well positioned to complete additional royalty acquisitions.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, and our ability to access sufficient capital from internal and external sources.

With respect to forward-looking statements contained in this MD&A, we have made assumptions regarding, among other things, future oil and natural gas prices, future production levels, future tax rates, our expectation for the consumption of crude oil and natural gas, our expectation for industry drilling activities, our ability to obtain financing on acceptable terms, and our ability to add production and reserves through acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in our discussion under "Business Overview", "Business Environment" and "Dividend Policy" sections of this MD&A.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the anticipated events will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

CORPORATE INFORMATION

Board of Directors

Brad Docherty, LL.B., B.A.(1)
Chairman

John Bell, C.A. (1)(3)
Independent
Chair of Audit Committee

Gary McMurren, P. Eng(1)(2)
Independent
Chair of the Reserves Committee

Scott Rideout(3)
Independent
Chair of the Corporate Governance & Compensation Committee

Shaun Thiessen, B. Comm(2)(3)
Independent

Jordan Kevol, B. Sc. Geology(3)
Independent

Dean Potter, P. Geo(2)
Independent

(1) Audit Committee.
(2) Reserves Committee.
(3) Corporate Governance & Compensation Committee.

Officers

Brad Docherty, LL.B., B.A.
President & C.E.O.

Cheryne Lowe, C.A.
Chief Financial Officer

Lucas Tomei, LL.B., B.Sc.
Corporate Secretary

Advisors

Legal Counsel
Dentons Canada LLP

Auditors
MNP LLP

Reserves Evaluator
Trimble Engineering Associates Ltd.

Head Office

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