Management's Discussion and Analysis
Year Ended December 31, 2021

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 ("Q4 2021") and year ended December 31, 2021, and previous periods, and the outlook for Source Rock based on information available as of April 29, 2022.

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, 2021, 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 December 31,			Year Ended December 31,		
FINANCIAL ($, except as noted)	2021	2020	Change	2021	2020	Change
Royalty revenue	1,247,171	462,992	169%	4,261,974	1,375,749	210%
Administrative expenses	143,638	75,956	89%	475,859	346,281	37%
Percentage of revenue (%)	11.5%	16.4%	-30%	11.1%	25.2%	-56%
Adjusted EBITDA[(1)]	1,103,542	387,036	185%	3,786,115	1,029,468	268%
Percentage of revenue (%)	88.5%	83.6%	6%	88.8%	74.8%	19%
Per share (basic)	0.037	0.013	185%	0.129	0.036	258%
Funds from operations[(1)]	1,021,234	387,214	164%	3,704,763	1,033,422	258%
Percentage of revenue (%)	81.9%	83.6%	-2%	86.9%	75.1%	16%
Per share (basic)	0.035	0.013	169%	0.126	0.036	250%
Total comprehensive income (loss)	571,114	(2,672,410)	-	176,541	(2,856,327)	-
Per share (basic)	0.019	(0.092)	-	0.006	(0.099)	-
Per share (diluted)	0.018	(0.092)	-	0.006	(0.099)	-
Dividends Paid	443,438	-	-	1,469,014	863,815	70%
Per share	0.015	-	-	0.05	0.05	-
Payout ratio[(1)] (%)	43.4%	-	-	39.7%	83.6%	-53%
Cash and cash equivalents	1,492,322	913,560	63%	1,492,322	913,560	63%
Per share (basic)	0.05	0.03	67%	0.05	0.03	67%
Average shares outstanding (basic)	29,562,559	29,165,997	1%	29,422,005	29,001,311	1%
Shares outstanding (end of period)	29,562,559	29,247,247	1%	29,562,559	29,247,247	1%

(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.

OPERATING						
Average daily production (boe/d)	166.3	114.6	45%	160.9	93.8	72%
Percentage oil & NGLs (%)	90.3%	93.8%	-4%	93.6%	92.1%	2%
Average price realizations ($/boe)	81.53	43.93	86%	72.53	40.17	81%
Operating Netback ($/boe)(1)	72.13	37.54	92%	64.44	30.18	114%
Corporate Netback ($/boe)(1)	66.75	37.54	78%	63.08	30.18	109%

(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.

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 in lands as reserves are produced by the operators over the economic life of the properties. 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 properties that have foreseeable future drilling potential and which are operated by fiscally and operationally prudent third parties. Source Rock 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. Source Rock 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.

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 west-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 actively drilling 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 increased by 9% to $77.10 (US$) in Q4 2021 compared to the third quarter of 2021 ("Q3 2021") and was 81% higher than during the fourth quarter of 2020 ("Q4 2020"). Source Rock's realized price on crude oil is primarily based on Edmonton Par. During Q4 2021, the Edmonton Par crude oil price differential to WTI was consistent with historically normal levels, with the Edmonton Par crude oil price averaging $93.23 (C$), compared to $50.33 (C$) in Q4 2020 and $83.72 (C$) in Q3 2021. WTI prices were strong during Q4 2021 as global demand continued to normalize around the world without a corresponding increase of supply. OPEC+ continued to maintain its controlled pace of returning curtailed production to the global market and in general domestic and international producers refrained from pursuing material production growth.

	Three months Ended December 31,			Twelve months Ended December 31,		
BENCHMARK AVERAGES	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
WTI oil (US$/bbl)	77.10	42.70	81%	68.11	39.34	73%
Edmonton par oil (C$/bbl)	93.23	50.33	85%	80.51	45.62	76%
Condensate Stream (C$/bbl)	99.55	55.47	79%	85.71	49.74	72%
AECO natural gas price (C$/mcf)	4.94	2.77	78%	3.56	2.24	59%
Cdn$/US$ exchange rate	1.26	1.30	-3%	1.25	1.34	-7%

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, many companies continue to look for additional sources of accretive capital to reduce debt, acquire new assets and develop their core assets, while at the same time returning capital to shareholders. We also continue to identify opportunities to work with issuers to establish relationships and create royalties in their existing production and undeveloped mineral interests to assist with funding their development plans. 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 August 2021, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for $71,110.

In July 2021, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for $32,256.

In April 2021, Source Rock acquired various GORR's in land located in S.E. Saskatchewan for $1,215,000, comprised of $1,130,000 in cash and $85,000 in common shares of Source Rock ("Common Shares").

In March 2021, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for $15,189.

We remain confident in our ability to secure additional royalty acquisitions on accretive metrics. We will continue to be very specific with the types of acquisitions that we pursue and will not expend shareholder capital on acquisitions purely for the sake of achieving growth.

Acquisition Marketplace Discussion

Despite the royalty market generally being competitive, Source Rock continues to identify acquisition opportunities that are not being marketed for sale and which are attractive acquisitions at the right price. Source Rock is being prudent and patient with its acquisition strategy, however it is also selectively pursuing growth through acquisitions and is striving to strategically expand its portfolio of royalty interests. Our acquisition strategy will continue to focus on specific regions of the WCSB and building a strong base of royalty revenue primarily from oil production but we may seek a modest amount of natural gas royalty exposure. Given the competitive landscape of the royalty market, we are keen on establishing working relationships with operators through which we can position future acquisition opportunities.

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 (the "Operator") resume production efficiently, Source Rock previously agreed to temporary revised terms relating to its royalty interest in these lands, and 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 June 30, 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 (Cdn $) 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

Source Rock had an option, in its sole discretion, to extend the revised terms for the Additional Interim Period to December 31, 2021. In April 2021, Source Rock elected to exercise its right to extend the Additional Interim Period.

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

Subsequent Events

On January 11, 2022, Source Rock made a $0.015 per share payment to shareholders of record on December 31, 2021, which was approved by Source Rock's Board of Directors on December 15, 2021. This payment was structured as a "return of capital", which was approved by Source Rock's shareholders at an Annual General Meeting held on December 22, 2021.

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.

On April 14, 2022, an eligible dividend of $0.015 was paid to shareholders, which was approved by Source Rock's Board of Directors on March 15, 2022 for shareholders of record on March 31, 2022.

QUARTERLY HIGHLIGHTS

Q4 2021 Highlights:

- Record quarterly royalty revenue was achieved, as it increased by $784,179 (169%) to $1,247,171 as compared to Q4 2020, which totalled $462,992.
- Quarterly royalty production averaged 166.3 boe/d (90.3% oil & NGLs), an increase of 45% as compared to Q4 2020, which averaged 114.6 boe/d (93.8% oil & NGLs).
- Record quarterly Adjusted EBITDA was achieved, as it increased by $716,506 (185%) to $1,103,542 (88.5% of revenue) as compared to Q4 2020, which totalled $387,036 (83.6% of revenue). This represents an increase of 185% on a per share basis.
- Record quarterly funds from operations was achieved, as it increased by $634,020 (164%) to $1,021,234 (81.9% of revenue) as compared to Q4 2020, which totalled $387,214 (83.6% of revenue). This represents an increase of 169% on a per share basis.
- Average realized price for royalty production was $81.52 per boe (90.3% oil & NGLs), an increase of 86% as compared to $43.93 per boe (93.8% oil & NGLs) in Q4 2020.
- Achieved an operating netback of $72.13 per boe (Q4 2020 - $37.54) and a corporate netback of $66.75 (Q4 2020 - $37.54).
- Ended Q4 2021 with available cash and cash equivalents of $1,492,322 (Q4 2020 - $913,560).
- Declared a "return of capital" payment to shareholders of $0.015 per common share.

Annual 2021 Highlights:

- Record annual royalty revenue was achieved, as it increased by $2,886,225 (210%) to $4,261,974, as compared to 2020 which totalled $1,375,749.
- Record annual royalty production was achieved, as it averaged 161.0 boe/d (93.6% oil & NGLs), an increase of 72% as compared to the same period in 2020, which averaged 93.8 boe/d (92.1% oil & NGLs).
- Record annual Adjusted EBITDA was achieved, as it increased by $2,756,647 (268%) to $3,786,115 (88.8% of revenue) as compared to 2020, which totalled $1,029,468 (74.8% of revenue). This represents an increase of 258% on a per share basis.
- Record annual funds from operations was achieved, as it increased by $2,671,341 (258%) to $3,704,763 (86.9% of revenue), as compared to 2020, which totalled $1,033,422 (75.1% of revenue). This represents an increase of 250% on a per share basis.
- Average realized price for royalty production was $72.53 per boe (93.6% oil & NGLs), an increase of 81% as compared to $40.17 per boe (92.1% oil & NGLs) in 2020.

- Achieved an operating netback of $64.44 per boe (2020 - $30.18) and a corporate netback of $63.08 (2020 - $30.18).
- Declared three quarterly dividends and a "return of capital" payment, each in the amount of $0.015 per common share.

ROYALTY PRODUCTION & REVENUE

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Average daily production (boe/d)	166.3	114.6	161.0	93.8
Percentage oil & NGLs	90.3%	93.8%	93.6%	92.1%
Average realized price ($/boe)	$ 81.52	$ 43.93	$ 72.53	$ 40.17
Royalty revenue	$ 1,247,171	$ 462,992	$ 4,261,974	$ 1,375,749

For Q4 2021, royalty revenue increased by $784,179 (169%) to $1,247,171 as compared to Q4 2020, which totalled $462,992. The increase in revenue resulted from higher realized pricing and an increase in royalty production volumes. For Q4 2021, royalty production averaged 166.3 boe/d (90.3% oil & NGLs), an increase of 45% as compared to Q4 2020, which averaged 114.6 boe/d (93.8% oil & NGLs). The increase in production resulted from increased volumes from our Alberta Viking royalty interest, our S.E. Saskatchewan GORR's and the certain west-central Alberta GORR's resuming production, but this was slightly off-set by lower royalty production from our west-central Saskatchewan GORR's. For Q4 2021, the average realized price for royalty production was $81.53 per boe (90.3% oil & NGLs), an increase of 86% as compared to $43.93 per boe (93.8% oil & NGLs) in Q4 2020.

For the year ended December 31, 2021, royalty revenue increased by $2,886,225 (210%) to $4,261,974 as compared to 2020, which totalled $1,375,749. The increase in revenue resulted from higher realized pricing and an increase in royalty production volumes. For year ended December 31, 2021, royalty production averaged 160.9 boe/d (93.6% oil & NGLs), an increase of 72% as compared to 2020, which averaged 93.8 boe/d (92.1% oil & NGLs). For the year ended December 31, 2021, the average realized price for royalty production was $72.53 per boe (93.6% oil & NGLs), an increase of 81% as compared to $40.17 per boe (92.1% oil & NGLs) for 2020.

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, NGLs and natural gas production and operations. As a result, Source Rock does not incur any operating costs.

ADMINISTRATIVE EXPENSES

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Administrative expenses	$ 143,638	$ 75,956	$ 475,859	$ 346,281

Administrative expenses primarily consisted of consulting fees and professional fees. For Q4 2021, administrative expenses increased by $67,682 (89%) to $143,638 as compared to $75,956 in Q4 2020. For the year ended December 31, 2021, administrative expenses increased by $129,578 (37%) to $475,859 as compared to $346,281 for 2020. The increase in administrative expenses during Q4 2021 and the 2021 calendar year was the result of higher cash fees paid to the Corporation's personnel and materially higher professional fees because of Source Rock commencing the process associated with the IPO (see "*Subsequent Events*").

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 and twelve month periods ended December 31, 2021 and 2020, Source Rock incurred the following items with key personnel:

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Consulting fees	$ 79,500	$ 62,250	$ 357,000	$ 283,500
Share-based compensation[(1)]	23,427	110,718	313,704	266,188
Total fees	$ 102,927	$ 172,968	$ 670,704	$ 549,688

(1) See "Share-based Compensation".

In addition, during the three and twelve month periods ended December 31, 2021, $191,243 (2020 - $1,378) and $199,602 (2020 - $11,987), respectively, was incurred to a law firm at which the Corporate Secretary of the Corporation is a Partner. These fees primarily related to work associated with deferred financing fees relating to the IPO (see "*Subsequent Events*"), general corporate matters, closing a private placement and closing various 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 December 31, 2021, there was $98,873 (2020 - $4,447) in trade payables and accrued liabilities relating to these transactions.

SHARE-BASED COMPENSATION

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Share-based compensation	$ 23,427	$ 110,719	$ 313,704	$ 266,188

Share-based compensation includes share-based consulting fees and a charge for stock options. During the three and twelve month periods ended December 31, 2021, a share-based compensation charge was recorded for the vesting of

previously issued stock options to key personnel in the amount of $23,427 (2020 - $76,219) and $127,704 (2020 - $147,717), respectively. During the three and twelve month periods ended December 31, 2021, nil (2020 – 115,000) and 190,312 (2020 - 455,882), respectively, common shares were issued to management and the board of directors in lieu of cash compensation and this was recorded as stock-based compensation in the amount of $nil (2020 - $34,500) and $186,000 (2020 - $118,471), respectively.

The Corporation has a "rolling" 10% stock option plan which became effective on July 2, 2013 that 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*".

DEPLETION

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Depletion	$ 565,430	$ 318,799	$ 2,235,533	$ 1,036,501
Per boe ($)	36.96	30.24	38.06	30.27

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 the three and twelve month periods ended December 31, 2021, the depletion expense was $565,430 (2020 - $318,799) and $2,235,533 (2020 - $1,036,501), respectively. The cost per barrel of oil equivalent of production increased to $36.96 and $38.06 during the periods, respectively, based on the combined fair value assigned to the estimated reserves at the time of the Corporation's acquisitions and the period production mix. In addition, there was a significant increase in depletion over the prior year because of a change in estimates. Prior to 2021, management used industry reports and operator disclosure to assign well type curves to the production wells and land to internally estimate total anticipated reserves. During 2021, Source Rock obtained an independent qualified reserve evaluator's report completed for December 31, 2020 and going forward its reserves will be independently evaluated on an annual basis. As a result, estimated reserves decreased, causing the depletion expense to increase, as depletion is completed on a unit of production.

IMPAIRMENT

Source Rock groups it 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 December 31, 2021, impairment testing was completed and there were no indicators of impairment. No impairment charges were taken as at December 31, 2021.

As at March 31, 2021, there were indicators of impairment due to the continued underperformance of two CGU's. Despite improved commodity prices during Q1 2021, these CGU's did not see production volumes return to historical levels as anticipated as at December 31, 2020.

As at March 31, 2021, the following benchmark reference price forecasts were used to calculate the recoverable amounts:

	2021	2022	2023	2024	2025
Canadian Light Sweet ($Cdn/bbl)	56.12	61.69	66.79	68.14	69.50

As at March 31, 2021, the following impairment charges were taken:

CGU	Impairment
West-central Saskatchewan	$668,819
West-central Alberta	$712,740

As at December 31, 2020, the carrying value of the Company's West-Central Saskatchewan CGU exceeded its carrying value. As a result, an impairment charge was taken in the amount of $4,905,855.

OTHER INCOME

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Interest	$ -	$ 257	$ 955	$ 3,776

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 that currently pay a minor amount of interest on an annualized basis.

INCOME TAXES

For the year-ended December 31, 2021, the Corporation was classified as a "specified investment business" pursuant to the Income Tax Act of Canada (the "Tax Act"). As a result, the Corporation's taxable income has been taxed at the highest effective tax rate of 46.7% (2020 - 47.7%). However, the Corporation was able to reduce its effective tax rate by way of dividend refund credits upon payment of dividends to its shareholders following its tax loss carry forwards being used.

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. As at December 31, 2021, the Corporation had the following unutilized tax pools:

Non-Capital Losses	$nil
Canadian Oil and Gas Property Expense	$12,238,175
Share Issuance Costs	$nil
Capital Losses	$94,255

Cash Taxes

The Corporation is required to pay $82,308 in cash taxes for the year ended December 31, 2021 (2020 - $nil). 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 the Corporation.

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.

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Royalty revenue	$ 1,247,171	$ 1,161,759	$ 1,045,974	$ 807,071
Adjusted EBITDA[(1)]	$ 1,103,542	$ 1,007,855	$ 947,038	$ 727,680
Funds from operations[(1)]	$ 1,021,234	$ 1,007,864	$ 947,319	$ 728,355
Total comprehensive income (loss)	$ 571,114	$ 83,480	$ 195,727	$ (673,780)
Per share (basic)	$ 0.014	$ 0.003	$ 0.007	$ (0.023)
Per share (diluted)	$ 0.013	$ 0.003	$ 0.006	$ (0.023)
Average daily production (boe/d)	166.3	170.2	163.6	143.5
Percentage oil & NGLs (%)	90.3%	93.6%	95.2%	95.5%
Current assets	$ 2,484,932	$ 1,770,071	$ 1,488,716	$ 1,875,186
Total assets	$ 15,357,028	$ 15,207,597	$ 15,397,789	$ 15,115,416
Total current liabilities	$ 650,128	$ 513,054	$ 692,758	$ 466,147

Shareholder equity	$ 14,561,098	$ 14,409,995	$ 14,543,781	$ 14,679,934
Weighted average number of shares outstanding (basic)	29,562,559	29,548,945	29,322,985	28,927,271

(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.

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Royalty revenue	$ 462,992	$ 217,754	$ 84,653	$ 610,349
Adjusted EBITDA[1]	$ 387,036	$ 122,350	$ 2,830	$ 517,252
Funds from operations[1]	$ 387,214	$ 122,607	$ 3,687	$ 519,914
Total comprehensive income (loss)	$ (2,672,410)	$ (84,051)	$ (112,808)	$ 12,942
Per share (basic)	$ (0.092)	$ (0.003)	$ (0.004)	$ 0.000
Per share (diluted)	$ (0.092)	$ (0.003)	$ (0.004)	$ 0.000
Average daily production (boe/d)	114.6	56.2	40.2	163.6
Percentage oil & NGLs (%)	93.8%	95.1%	92.0%	89.8%
Current assets	$ 1,305,122	$ 935,022	$ 822,168	$ 1,465,553
Total assets	$ 16,460,755	$ 21,286,412	$ 21,332,88	$ 21,924,438
Total current liabilities	$ 170,218	$ 15,986	$ 25,739	$ 454,406
Shareholder equity	$ 15,752,069	$ 18,459,993	$ 18,440,460	$ 18,527,327
Weighted average number of shares outstanding (basic)	29,165,997	28,931,448	28,796,365	28,793,948

(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 December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Cash flows from operating activities	$ 1,138,821	$ 176,720	$ 3,405,611	$ 1,145,528
Change in non-cash working capital balances	(117,587)	210,494	299,152	(112,106)
Funds from operations[1]	$ 1,021,234	$ 387,214	$ 3,704,763	$ 1,033,422
Per Share ($)	0.035	0.013	0.126	0.036

(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 G&A expenses with the remainder to be retained to fund future capital expenditures and dividends.

As at December 31, 2021, 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 December 31, 2021, Source Rock had an overall positive working capital balance ("current assets" less "current liabilities" as defined by Canadian GAAP) of $1,834,804 (2020 - $1,134,904).

Financing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Dividends paid to shareholders'	$ (443,438)	$ -	$ (1,469,014)	$ (863,815)
Issuance of share capital, net of costs	-	-	-	-
Cash flows from (used in) financing activities	$ (443,438)	$ -	$ (1,469,014)	$ (863,815)

During Q4 2021, dividends paid was $443,438 (Q4 2020 - $nil). During the twelve months ended December 31, 2021, dividends paid was $1,469,014 (2020 - $863,815).

Investing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Purchase of petroleum and natural gas interests	$ -	$ -	$ (1,333,555)	$ (434,864)
Intangible	-	-	-	(250,000)
Cash flows from (used in) investing activities	$ -	$ -	$ (1,333,555)	$ (684,864)

Year Ended December 31, 2021:

- On August 6, 2021, Source Rock acquired a 2% gross overriding royalty ("GORR") in land located in S.E. Saskatchewan for proceeds of $71,110.
- On July 9, 2021, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $32,256.
- On April 26, 2021, Source rock acquired various GORR's in S.E. Saskatchewan for proceeds of $1,215,000, comprised of $1,130,000 in cash and $85,000 common shares at a price of $1.00 per share.
- On March 18, 2021, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $15,189.

Year Ended December 31, 2020:

- On December 22, 2020, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $38,897.
- On December 10, 2020, Source Rock reduced the purchase price of a prior acquisition and received $10,000 due to a drill commitment provision that an operator failed to satisfy.
- On June 4, 2020, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $41,376.
- On May 15, 2020, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $47,488.
- On April 9, 2020, Source Rock acquired a 3% GORR in land located in S.E. Saskatchewan for proceeds of $74,511.
- On March 6, 2020, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for gross proceeds of $189,047, including acquisition costs of $7,404.
- On February 13, 2020, Source Rock acquired a 3% GORR in land located in S.E. Saskatchewan for proceeds of $27,500, comprised of $23,000 in cash and $4,500 in common shares of Source Rock.
- On January 27, 2020, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $30,545.

Adjusted EBITDA

Adjusted EBITDA is calculated as follows:

	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Income (Loss) before taxes	$ 514,685	$ (4,944,372)	$ (133,817)	$ (5,226,365)
Add-back/(deduct)				
Depletion	$ 565,430	$ 318,799	$ 2,235,533	$ 1,036,501
Share-based compensation	$ 23,427	$ 110,719	$ 313,704	$ 266,188
Interest	$ -	$ (178)	$ (956)	$ (3,953)
Impairment	$ -	$ 4,905,855	$ 1,381,559	$ 4,905,855
Bad debt (recovery)	$ -	$ (3,787)	$ (9,908)	$ 51,242
Adjusted EBITDA[(1)]	$ 1,103,542	$ 387,036	$ 3,786,115	$ 1,029,468
Per Share (basic) ($)	0.037	0.013	0.129	0.036

(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

	December 31, 2021	December 31, 2020
Basic common shares outstanding at end of period	29,562,559	28,796,368
Common share stock options outstanding at end of period[(1)]	2,490,000	2,602,000
Total diluted common shares outstanding at end of period	32,052,559	31,398,368

(1) Stock option issued October 1, 2020 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 issued on July 1, 2019 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 issued on July 1, 2017 vested 1/3 upon issuance and will vest 1/3 every year thereafter, have a 5-year term and are exercisable at $1.00 per stock option.

DIVIDEND POLICY

On December 15, 2021, the Corporation's Board of Directors approved the payment of $0.015 per share in the form of a "return of capital" to shareholders of record on December 31, 2021. A cumulative payment of $448,438 was paid to shareholders in January 2022. This payment was made in replace of the Corporation's typical quarterly dividend in the same amount. On April 14, 2022, an eligible dividend of $0.015 was paid to shareholders, which was approved by Source Rock's Board of Directors on March 15, 2022 for shareholders of record on March 31, 2022.

The Board of Directors will review the ability of the Corporation to pay a dividend on a quarterly 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 paid 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.

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

Source Rock has adopted the standard 6 Mcf:1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf:1 barrel ratio 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 rate 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 either brad@sourcerockroyalties.com or sean@sourcerockroyalties.com.

FORWARD-LOOKING STATEMENTS

This document offers our assessment of Source Rock's future plans and operations as at April 29, 2022, 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

Brody Loster, P. Geo
Independent

Shaun Thiessen, B. Comm [2][3]
Independent

Jordan Kevol, B. Sc. Geology[2]
Independent

Gary McMurren, P. Eng[1][3]
Independent
Chair of Reserves Committee

Dean Potter, P. Geo[3]
Independent

Scott Rideout[2]
Independent
Chair of Compensation and Corporate Governance Committee

John Bell, C.A.[1][2]
Independent
Chair of Audit Committee

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

Officers

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

Sean Clausen, C.A.
Chief Financial Officer

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

Advisors

Legal Counsel
Dentons Canada LLP

Auditors
MNP LLP

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