Management's Discussion and Analysis
Year Ended December 31, 2022

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 2022") and year ended December 31, 2022, and previous periods, and the outlook for Source Rock based on information available as of April 14, 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 December 31,			Year Ended December 31,		
FINANCIAL ($, except as noted)	2022	2021	Change	2022	2021	Change
Royalty revenue	1,504,421[(1)]	1,247,171	21%	6,490,519[(1)]	4,261,974	52%
Adjusted EBITDA[(2)]	1,399,621	1,103,532	27%	5,736,622	3,786,115	52%
Per share (basic)	0.031	0.037	-16%	0.136	0.129	6%
Funds from operations[(2)]	1,411,440	1,021,224	38%	5,128,706	3,704,763	38%
Per share (basic)	0.031	0.035	-11%	0.121	0.126	-4%
Total comprehensive income (loss)	559,447	571,114	-2%	2,558,054	176,541	1,349%
Per share (basic)	0.012	0.019	-37%	0.060	0.006	900%
Per share (diluted)	0.012	0.018	-34%	0.059	0.006	883%
Dividends Paid	673,450	443,438	52%	2,463,786[(3)]	1,469,014	68%
Per share	0.015	0.015	-	0.06	0.05	20%
Payout ratio[(2)] (%)	48%	43%	12%	48%	40%	20%
Cash and cash equivalents	13,152,502	1,492,322	781%	13,152,502	1,492,322	781%
Per share (basic)	0.29	0.05	480%	0.29	0.05	480%
Average shares outstanding (basic)	44,896,645	29,562,559	52%	42,344,911	29,422,005	44%
Shares outstanding (end of period)	44,896,645	29,562,559	52%	44,896,645	29,562,559	52%
OPERATING						
Average daily production (boe/d)	169[(4)]	166	2%	166[(4)]	161	3%
Percentage oil & NGLs (%)	92%	90%	2%	92%	94%	-2%
Average price realizations ($/boe)	96.55	81.53	18%	107.28	72.53	48%
Operating Netback ($/boe)[(1)]	90.02	72.13	25%	94.68	64.44	47%
Corporate Netback ($/boe)[(1)]	90.78	66.75	36%	84.65	63.08	34%

(1) Source Rock also benefited from $85,268 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022. These sales proceeds were accounted for as a reduction to the purpose 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) $443,438 of this amount was paid in the form of a "return of capital".
(4) Source Rock also benefited from 9 boe/d (100% oil & NGLs) for Q4 2022 and 2 boe/d (100% oil & NGLs) for the year ended December 31, 2022, of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.

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 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 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 11% to $82.64 (US$) in Q4 2022 compared to the third quarter of 2022 ("Q3 2022") and was 7% higher than during the fourth quarter of 2021 ("Q4 2021"). Source Rock's realized price on crude oil is primarily based on Edmonton Par. During Q4 2022, the Edmonton Par crude oil price differential to WTI was consistent with historically normal levels, with the Edmonton Par crude oil price averaging $109.81 (C$), compared to $93.23 (C$) in Q4 2021 and $116.67 (C$) in Q3 2022. Concerns about a slowing global economy and elevated risks of a recession, combined with weaker than expected China demand, resulted in a softening of WTI prices in Q4 2022. This was partially offset by ongoing production cuts from certain countries and minimal global supply growth.

	Three months Ended December 31,			Twelve months Ended December 31,		
BENCHMARK AVERAGES	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
WTI oil (US$/bbl)	82.64	77.10	7%	94.33	68.11	38%
Edmonton par oil (C$/bbl)	109.81	93.23	18%	120.37	80.51	50%
Condensate Stream (C$/bbl)	113.20	99.55	14%	122.10	85.71	42%
AECO natural gas price (C$/mcf)	5.58	4.94	13%	5.56	3.56	56%
Cdn$/US$ exchange rate	1.36	1.26	8%	1.30	1.25	4%

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 and 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

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.

Acquisition Activities

In November 2022, the Source Rock closed the acquisition of a 2% GORR in approximately 6,400 net acres (10 sections) of land in S.E. Saskatchewan (the "GORR Lands"). The purchase price was $3.5 million and the transaction had an effective date of October 1, 2022. The GORR Lands are operated by Anova Resources Inc. ("Anova"), and Elevation Oil & Gas Limited ("Elevation") is partnered with Anova on the GORR Lands. Gross production from the GORR Lands averaged approximately 500 bbl/d of Frobisher light oil in October 2022. In addition, 8 horizontal wells were drilled on the GORR Lands prior to the transaction. As part of the purchase of the GORR, Source Rock received a drill commitment for 15 additional net horizontal wells (each a "Drill Commitment Well") to be drilled on Source Rock's royalty lands prior to December 31, 2024 (the "Drill Commitment Deadline"). Source Rock is entitled to $125,000 in damages for each Drill Commitment Well not drilled before the Drill Commitment Deadline. The Drill Commitment Deadline may be automatically extended: (i) upon the first time that the price of the NYMEX West Texas Intermediate ("WTI") Light Sweet Crude Oil Futures Contract (in U.S. Dollars) settles below $70.00 for 30 consecutive days, by 90 days; and (ii) every time thereafter that the price of WTI settles below $70.00 for 30 consecutive days, by an additional 30 days.

In Q4 2022, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $71,548.

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

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 is being patient with its acquisition strategy. Source Rock remains focused on specific regions of the WCSB and building a strong base of royalty revenue at accretive metrics, primarily from oil production. 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.

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, being (subject to negotiated changes to allow Source Rock to receive the Accumulated Barrels on a reasonable timeline):

- 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 plan or schedule to be established for Source Rock to receive the Accumulated Barrels. As of the date of this MD&A, no such plan or schedule has been finalized.

Engagement of Investor Relations Firm

On August 1, 2022, Source Rock engaged Brisco Capital Partners Corp. ("Brisco") to provide marketing and investor relations services (the "Services") to assist Source Rock with expanding investor awareness of its business and actively communicating with the investment community. In consideration for the Services, Source Rock will pay Brisco a monthly fee of $10,000. Source Rock has engaged Brisco for a term of 12 months, however Source Rock can terminate the engagement at any time upon giving 30 days notice to Brisco. Source Rock also granted to Brisco 200,000 stock options to purchase common shares for a period of 5 years at a price of $0.90 per share.

Subsequent Events

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

On January 11, 2023, Source Rock paid a $0.015 per share dividend to shareholders of record on December 30, 2022, which was approved by Source Rock's Board of Directors on December 15, 2022. This dividend was designated as an "eligible dividend" for Canadian income tax purposes.

On March 24, 2023, Source Rock closed the acquisition of a 5% GORR in land (oil mineral interests only) located in Alberta for proceeds of $1,600,000, with an effective date of January 1, 2023. Oil production from the Alberta lands (net to the royalty payor's working interest) in January 2023 was 420 bbl/d (21 bbl/d of net royalty production to Source Rock).

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.

QUARTERLY HIGHLIGHTS

Q4 2022 Highlights:

- Quarterly royalty revenue increased by $257,250 (21%) to $1,504,421 as compared to Q4 2021, which totalled $1,247,171. Source Rock also benefited from $85,268 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022. These sales proceeds were accounted for as a reduction to the purpose price of the acquisition.
- Quarterly royalty production averaged 169 boe/d (92% oil & NGLs), an increase of 2% as compared to Q4 2021, which averaged 166 boe/d (90% oil & NGLs). Source Rock also benefited from 9 boe/d (100% oil & NGLs) of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.

- Quarterly Adjusted EBITDA increased by $296,089 (27%) to $1,399,621 (93% of revenue) as compared to Q4 2021, which totalled $1,103,532 (88% of revenue). This represents a decrease of 16% on a per share basis as a result of Source Rock completing the IPO and materially increasing its issued and outstanding common shares.
- Quarterly funds from operations increased by $390,216 (38%) to $1,411,440 (94% of revenue) as compared to Q4 2021, which totalled $1,021,224 (82% of revenue). This represents a decrease of 11% on a per share basis as a result of Source Rock completing the IPO and materially increasing its issued and outstanding common shares, and because of cash taxes increasing in 2022.
- Average realized price for royalty production was $96.55 per boe (92% oil & NGLs), an increase of 18% as compared to $81.53 per boe (90% oil & NGLs) in Q4 2021.
- Achieved an Operating Netback of $90.02 per boe (Q4 2021 - $72.13) and a Corporate Netback of $90.77 per boe (Q4 2021 - $66.75).
- Ended Q4 2022 with available cash and cash equivalents of $13,152,502 (Q4 2021 - $1,492,322).
- Declared a quarterly dividend of $0.015 per common share.

Annual 2022 Highlights:

- Record annual royalty revenue was achieved, as it increased by $2,228,545 (52%) to $6,490,519, as compared to 2021 which totalled $4,261,974. Source Rock also benefited from $85,268 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022. These sales proceeds were accounted for as a reduction to the purpose price of the acquisition.
- Record annual royalty production was achieved, averaging 166 boe/d (92% oil & NGLs), an increase of 3% as compared to the same period in 2021, which averaged 161 boe/d (94% oil & NGLs). Source Rock also benefited from 2 boe/d (100% oil & NGLs) of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.
- Record annual Adjusted EBITDA was achieved, as it increased by $1,950,507 (52%) to $5,736,622 (88% of revenue) as compared to 2021, which totalled $3,786,115 (89% of revenue). This represents an increase of 6% on a per share basis, which was lessened by Source Rock completing the IPO and materially increasing its issued and outstanding common shares.
- Record annual funds from operations was achieved, as it increased by $1,423,943 (38%) to $5,128,706 (79% of revenue), as compared to 2021, which totalled $3,704,763 (87% of revenue). This represents a decrease of 4% on a per share basis as a result of Source Rock completing the IPO and materially increasing its issued and outstanding common shares, and because of cash taxes increasing in 2022.
- Average realized price for royalty production was $107.28 per boe (92% oil & NGLs), an increase of 48% as compared to $72.53 per boe (94% oil & NGLs) in 2021.
- Achieved an Operating Netback of $94.68 per boe (2021 - $64.44) and a Corporate Netback of $84.65 (2021 - $63.08).
- Declared four quarterly dividends, each in the amount of $0.015 per common share.

ROYALTY PRODUCTION & REVENUE

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Average daily production (boe/d)	169[1]	166	166[1]	161
Percentage oil & NGLs	92%	90%	92%	94%
Average realized price ($/boe)	$ 96.55	$ 81.53	$ 107.28	$ 72.53
Royalty revenue	$ 1,504,421[2]	$ 1,247,171	$ 6,490,519[2]	$ 4,261,974

(1) Source Rock also benefited from 9 boe/d (100% oil & NGLs) for Q4 2022 and 2 boe/d (100% oil & NGLs) for the year ended December 31, 2022, of royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022.

(2) Source Rock also benefited from $85,268 of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of an acquisition completed in November 2022. These sales proceeds were accounted for as a reduction to the purpose price of the acquisition.

For Q4 2022, royalty revenue increased by $257,250 (21%) to $1,504,421 as compared to Q4 2021, which totalled $1,247,171. The increase in revenue resulted from higher realized pricing and a modest increase in royalty production volumes. For Q4 2022, royalty production averaged 169 boe/d (92% oil & NGLs), an increase of 2% as compared to Q4 2021, which averaged 166 boe/d (90% oil & NGLs). For Q4 2022, the average realized price for royalty production was $96.55 per boe (92% oil & NGLs), an increase of 18% as compared to $81.53 per boe (90% oil & NGLs) in Q4 2021.

For the year ended December 31, 2022, royalty revenue increased by $2,228,545 (52%) to $6,490,519 as compared to 2021, which totalled $4,261,974. The increase in revenue resulted from higher realized pricing and a modest increase in royalty production volumes. For year ended December 31, 2022, royalty production averaged 166 boe/d (92% oil & NGLs), an increase of 3% as compared to 2021, which averaged 161 boe/d (94% oil & NGLs). For the year ended December 31, 2022, the average realized price for royalty production was $107.28 per boe (92% oil & NGLs), an increase of 48% as compared to $72.53 per boe (94% oil & NGLs) for 2021.

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 December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Administrative expenses	$ 104,800	$ 143,638	$ 753,897	$ 475,859

Administrative expenses primarily consisted of professional fees, management wages, consulting fees, corporate service fees, insurance costs, listing fees and investor relations & marketing expenses. For Q4 2022, administrative expenses decreased by $38,838 (27%) to $104,800 as compared to $143,638 in Q4 2021. The decrease in administrative expenses during Q4 2022 was the result of lower management wages. For the year ended December 31, 2022, administrative expenses increased by $278,038 (58%) to $753,897 as compared to $475,859 for 2021. The increase in administrative expenses during the year ended December 31, 2022 was the result of materially higher (i) legal, audit and transfer agent fees; (ii) professional fees associated with evaluating royalty acquisitions; and (iii) investor relations and marketing expenses. The higher administrative expenses were also influenced by other additional costs incurred relating to the IPO and Source Rock now being listed on the TSXV.

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, 2022 and 2021, Source Rock incurred the following items with key personnel:

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Wage & Consulting fees	$ 19,500	$ 79,500	$ 358,125	$ 357,000
Share-based compensation(1)	149,123	23,427	354,172	313,704
Total fees	$ 168,623	$ 102,927	$ 712,297	$ 670,704

(1) See "Share-based Compensation".

In addition, during the three and twelve month periods ended December 31, 2022, $29,429 (2021 - $191,243) and $433,859 (2021 - $199,602), 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 the IPO, 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, 2022, there was $1,895 (2021 - $98,873) in trade payables and accrued liabilities relating to these transactions.

SHARE-BASED COMPENSATION

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Share-based compensation	$ 177,214	$ 23,427	$ 399,453	$ 313,704

Share-based compensation includes share-based consulting fees and a charge for stock options, RSUs and DSUs (as defined below). During the three and twelve month periods ended December 31, 2022, a share-based compensation charge was recorded for the issuance of stock options, RSUs and DSUs (as defined below) in the amount of $177,214 (2021 - $23,427) and $399,453 (2021 - $127,704), respectively. During the three and twelve month periods ended December 31, 2022, nil (2021 - nil) and nil (2021 - 190,312), 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 (2021 - $nil) and $nil (2021 - $186,000), respectively.

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.

DEPLETION

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Depletion	$ 582,674	$ 565,430	$ 2,181,041	$ 2,235,533
Per boe ($)	37.48	36.96	36.00	38.06

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, 2022, the depletion expense was $582,674 (2021 - $565,430) and $2,181,041 (2021 - $2,235,533), respectively. The cost per barrel of oil equivalent of production increased in Q4 2022 to $37.48, and decreased for the year ended December 31, 2022 to $36.00, based on the combined fair value assigned to the estimated reserves at the time of the Corporation's acquisitions and the period production mix.

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 December 31, 2022 and December 31, 2021, there were no indicators of impairment and therefore no impairment testing was completed.

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

OTHER INCOME

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Interest	$ 139,701	$ -	$ 286,583	$ 956

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

Effective January 1, 2022, the Corporation became 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. As at December 31, 2022, the Corporation had the following unutilized tax pools:

Non-Capital Losses	$nil
Canadian Oil and Gas Property Expense	$14,024,537
Share Issuance Costs	$1,232,314
Capital Losses	$94,255

Cash Taxes

The Corporation estimates that it will be required to pay $127,882 and $894,499 respectively, in cash taxes for the three months (2021 - $82,308) and year (2021 - $82,308) ended December 31, 2022. However, the actual amount of taxes owing for these periods 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.

		Q4 2022		Q3 2022		Q2 2022		Q1 2022
Royalty revenue	$	1,504,421	$	1,554,910	$	1,903,802	$	1,527,386
Adjusted EBITDA(1)	$	1,399,621	$	1,219,346	$	1,715,652	$	1,402,003
Funds from operations(1)	$	1,411,440	$	1,115,225	$	1,429,610	$	1,172,431
Total comprehensive income (loss)	$	559,447	$	446,890	$	904,617	$	647,100
Per share (basic)	$	0.012	$	0.010	$	0.020	$	0.019
Per share (diluted)	$	0.012	$	0.010	$	0.020	$	0.018
Average daily production (boe/d)		169		160		168		166
Percentage oil & NGLs (%)		92%		92%		92%		92%
Current assets	$	14,292,275	$	17,077,092	$	16,511,822	$	15,978,994
Total assets	$	28,818,196	$	28,716,364	$	28,587,478	$	28,554,572
Total current liabilities	$	1,378,801	$	1,340,180	$	1,161,577	$	1,374,592

Shareholder equity	$ 27,439,395	$ 27,376,184	$ 27,425,901	$ 27,179,980
Weighted average number of shares outstanding (basic)	44,896,645	44,896,645	44,896,645	34,547,946

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Royalty revenue	$ 1,247,171	$ 1,161,759	$ 1,045,974	$ 807,071
Adjusted EBITDA(1)	$ 1,103,532	$ 1,007,864	$ 947,038	$ 727,680
Funds from operations(1)	$ 1,021,224	$ 1,007,864	$ 947,319	$ 728,355
Total comprehensive income (loss)	$ 571,114	$ 83,480	$ 195,727	$ (673,779)
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	170	164	144
Percentage oil & NGLs (%)	90%	94%	95%	96%
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.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Relating to Operating Activities and Working Capital

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Cash flows from operating activities	$ 1,103,696	$ 1,138,821	$ 5,315,924	$ 3,405,611
Change in non-cash working capital balances	307,744	(117,587)	(187,218)	299,152
Funds from operations(1)	$ 1,411,440	$ 1,021,224	$ 5,128,706	$ 3,704,763
Per Share ($)	0.031	0.035	0.121	0.126

(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 December 31, 2022, 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, 2022, Source Rock had an overall positive working capital balance ("current assets" less "current liabilities" as defined by Canadian GAAP) of $12,913,474 (2021 - $1,834,804).

Financing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Dividends paid to shareholders'	$ (673,450)	$ (443,438)	$ (2,020,348)	$ (1,469,014)
Return of capital	-	-	(443,438)	-
Proceeds from shares issued	-	-	13,494,008	-
Proceeds from warrants issued	-	-	306,682	-
Share issuance costs	-	-	(1,376,112)	-
Deferred financing costs	-	(164,280)	-	(164,280)
Cash flows from (used in) financing activities	$ (673,450)	$ (607,718)	$ 9,960,792	$ (1,633,294)

During Q4 2022, dividends paid was $673,450 (Q4 2021 - $443,438). During the twelve months ended December 31, 2022, dividends paid was $2,020,348 (2021 - $1,469,014) and $443,438 was paid to shareholders in the form of a "return of capital".

Investing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Purchase of petroleum and natural gas interests	$ (3,561,428)	$ -	$ (3,616,536)	$ (1,193,555)
Cash flows from (used in) investing activities	$ (3,561,428)	$ -	$ (3,616,536)	$ (1,193,555)

Year Ended December 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 and the closing date equaling $85,268 was deducted from the purchase price. Transaction costs related to the November 2022 Acquisition equaling $75,148 were added to the cost of the acquisition.

- 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.

Year Ended December 31, 2021:

- On August 6, 2021, Source Rock acquired a 2% 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.

Adjusted EBITDA

Adjusted EBITDA is calculated as follows:

	Three months ended December 31,				Twelve months ended December 31,			
		2022		2021		2022		2021
Income (Loss) before taxes	$	779,434	$	514,685	$	3,442,711	$	(133,817)
Add-back/(deduct)								
Depletion	$	582,674	$	565,430	$	2,181,041	$	2,235,533
Share-based compensation	$	177,214	$	23,427	$	399,453	$	313,704
Interest	$	(139,701)	$	-	$	(286,583)	$	(956)
Impairment	$	-	$	-	$	-	$	1,381,559
Bad debt (recovery)	$	-	$	-	$	-	$	(9,908)
Adjusted EBITDA(1)	$	1,399,621	$	1,103,532	$	5,736,622	$	3,786,115
Per Share (basic) ($)		0.031		0.037		0.136		0.129

(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, 2022	December 31, 2021
Basic common shares outstanding at end of period	44,896,645	28,796,368
Common share stock options outstanding at end of period(1)	2,240,000	2,602,000
RSU's outstanding at end of period(2)	313,818	-
DSU's outstanding at end of period(3)	562,209	-
Total diluted common shares outstanding at end of period	48,012,672	31,398,368

(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.

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 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 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 April 14, 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.

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