

# SOURCE ROCK ROYALTIES

*Corporate Presentation*  
*Q1 2024*

TSXV: SRR

NO CAPITAL COSTS  
NO LIABILITIES

***HIGH NETBACK***



**SOURCE ROCK**  
ROYALTIES LTD.

# Corporate Overview

**The only publicly listed pure-play junior oil and gas royalty company in Canada...positioned to accelerate growth**

## CAPITAL STRUCTURE

|                                    |                                |
|------------------------------------|--------------------------------|
| Common Shares                      | 45,231,645                     |
| Stock Options<br>Exp. 2024 to 2027 | 1,815,000<br>(\$0.40 - \$0.90) |
| RSUs / DSUs                        | 1,750,000                      |
| Fully Diluted                      | 48,796,645                     |

## CORPORATE HIGHLIGHTS

- » 9.5% owned by management & directors (Founder = 5%)
- » 21% owned by CN Rail Pension Fund
- » NO CHEAP SHARES → Insiders' ACB = ~\$0.90
- » \$2 MM working capital (\$0.04 / share)
- » NO DEBT

## JAN TO SEP 2023 RESULTS

- » **Production = 200 boe/d (90% oil)**
- » Royalty revenue = \$4.9 MM
- » Funds from ops<sup>1</sup> = \$3.9 MM
- » Corporate netback<sup>1</sup> = \$70+
- » Payout ratio<sup>1</sup> = < 60%

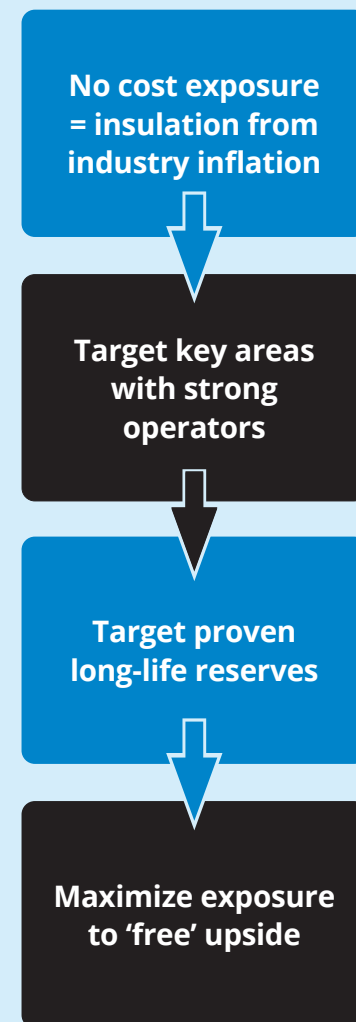
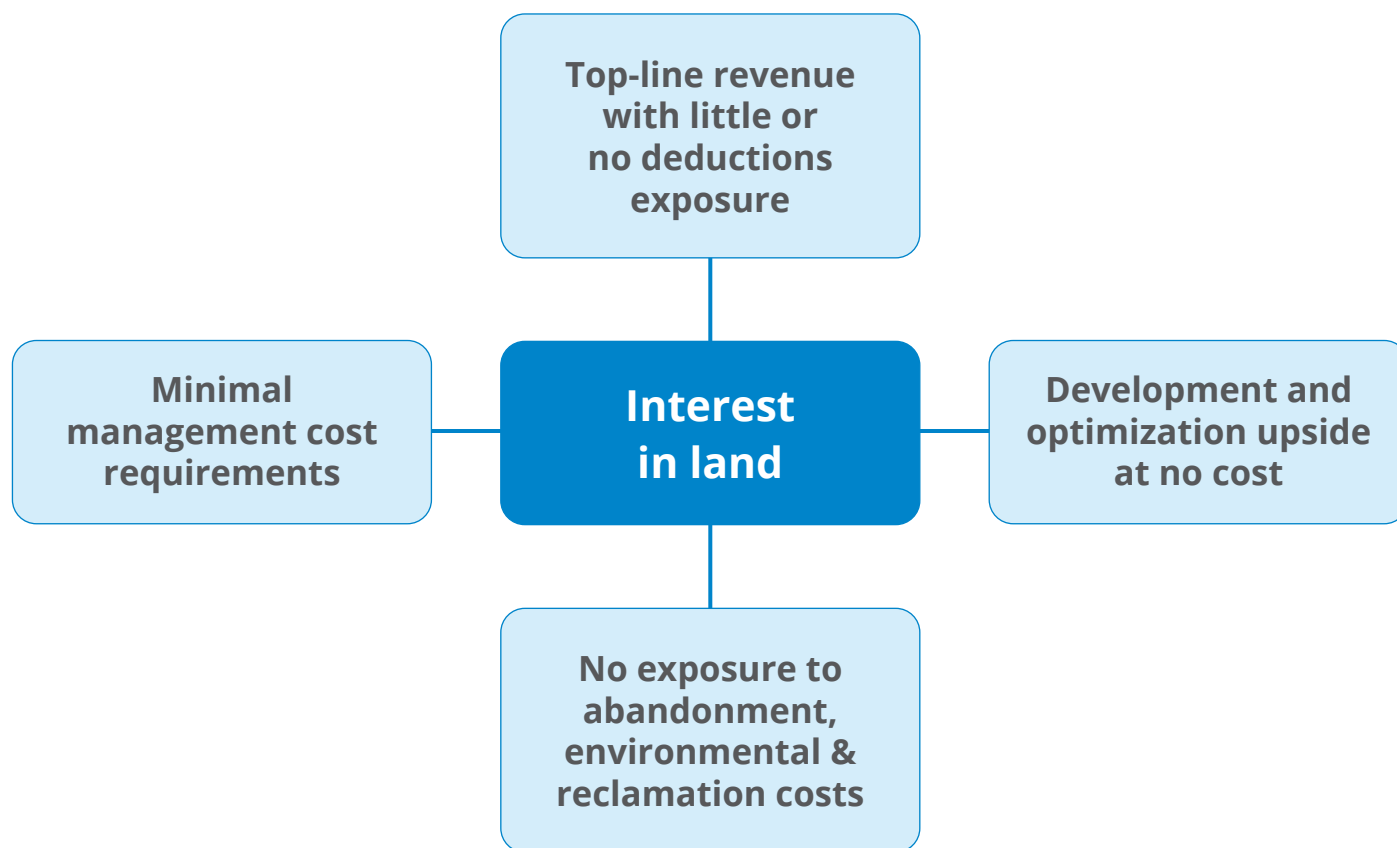
### Notes:

(1) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Measures" for more information on each non-GAAP financial measure or ratio.



# A Strategic Approach to Oil & Gas Production

**Passive nature of interests allows for a sustainable and scalable business model with exposure to upside development at no additional cost**





# Management & Directors

**A diverse group of professionals that have an extended history with the business model**

## MANAGEMENT TEAM

### **Brad Docherty, LL.B., B.A.**

*Founder, President, C.E.O. & Director (Chairman)*

- » B.D. Corporate Services: Executive Consultant
- » Capitalize Consulting: Business Advisor
- » Gowling Lafleur Henderson LLP: Corporate Finance & Securities Lawyer

### **Cheryne Lowe, CPA, CA**

*Chief Financial Officer*

- » AgJunction (AJX.t): Interim CFO
- » Pine Cliff Energy (PNE.t): CFO
- » Orlen Upstream / TriOil Resources: CFO
- » Tristone Capital: Research Associate
- » KPMG: Senior Accountant

### **Lucas Tomei, LL.B., B.Sc.**

*Corporate Secretary*

- » Dentons Canada LLP: Corporate Finance & Securities Lawyer

## INDEPENDENT DIRECTORS

### **Dean Potter, P. Geo +**

*Burgess Creek Exp., DPX Inc., Elkhorn Resources, Medora Resources*

### **Shaun Thiessen, Land + ▲**

*Astara Energy, Astra Oil, PrairieSky (PSK.t), Encana (ECA.t)*

### **Jordan Kevol, Geologist ▲**

*Blackspur Oil, Petro Uno Resources, Reece Energy Exp.*

### **Scott Rideout, Land ▲**

*Headwater Exploration (HWX.t), Baytex Energy (BTE.t), Raging River Exp. (RRX.t), Surge Energy (SGY.t)*

### **Gary McMurren, P. Eng \* +**

*Southern Energy (SOU.v), Gulf Pine Energy, Athabasca Oil (ATH.t), Galleon Energy, Talisman Energy*

### **John Bell, CPA, CA\* ▲**

*WCSB Blockchain, Tidewater Midstream (TWM.t), Artisan Energy, Cirrus Energy, Zapata Energy, Collins Barrow*

### **June-Marie Innes, CPA, MBA\***

*Tamarack Valley Energy, Anderson Energy, Vaquero Energy and Highpine Oil & Gas*

Well-rounded capital markets and deal-flow team



Unique on-the-ground industry relationships



Technical expertise = asset evaluation back-stop

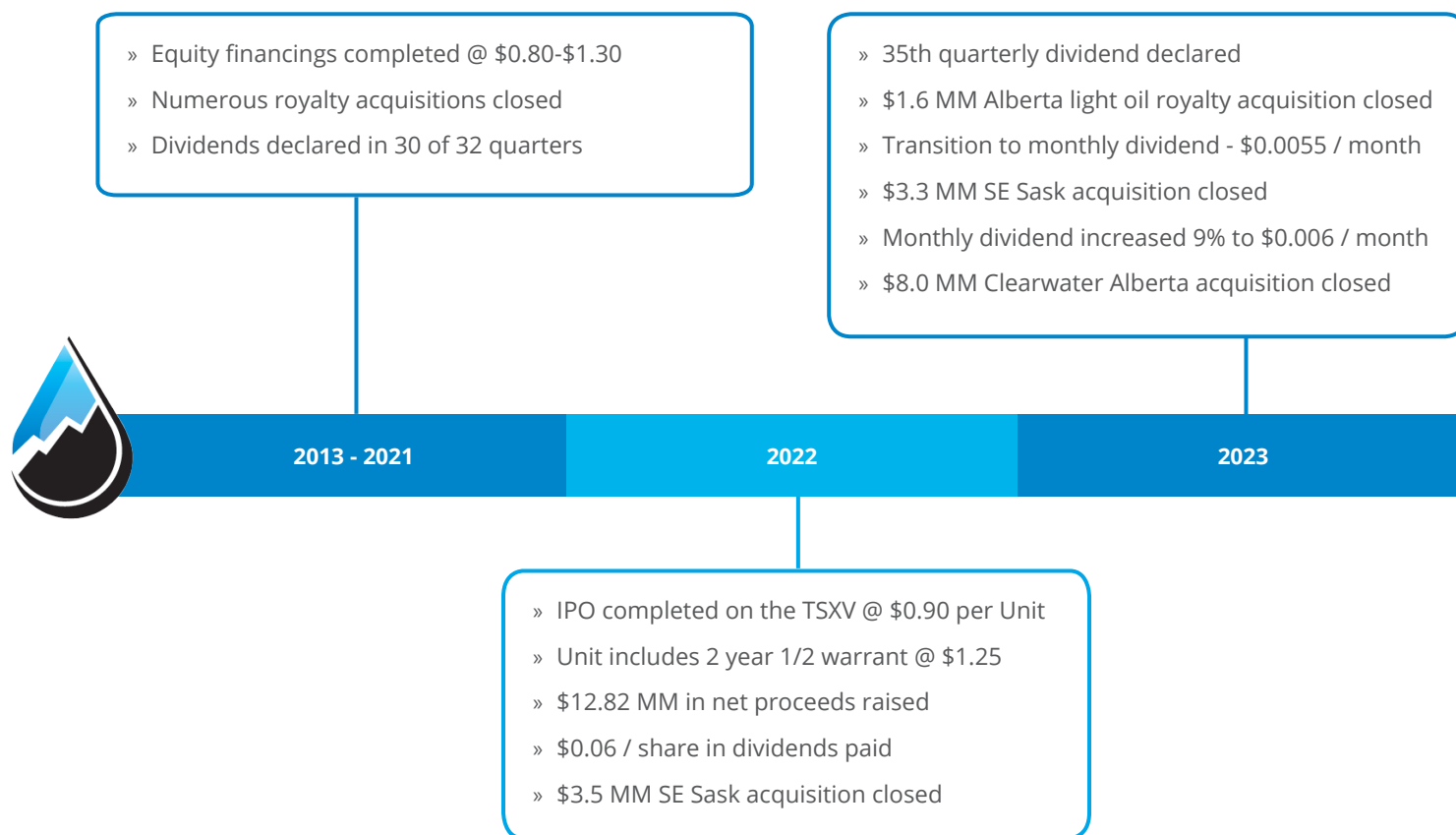


Vested and committed to near-term growth and long-term sustainability



# Source Rock Royalties History

**Established portfolio of high netback royalty interests and a 10+ year track record of executing on a balanced growth and yield business model**



**Track-record  
of completing  
royalty acquisitions  
(\$43 MM)**



**Track-record of  
positive cash flow  
(11 years)**



**Track-record of  
paying a dividend  
to shareholders  
(2014 to present)**



# Post-IPO Road Map

**Prudent expansion of royalty revenue, drilling exposure & undeveloped land = dividend growth**

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## PHASE 1 (Q2 / Q3 2022):

|  |   |  |
|--|---|--|
| Cashed-up but not the right time to deploy | Existing assets hitting record production & revenue | Paid to wait with interest rates increasing materially |
|--|---|--|

## PHASE 2 (Q4 2022 - Q2 2023):

|  |   |  |
|--|---|--|
| \$3.5 million SE Sask acquisition + 15 HZ well drill commitment over 2 years | \$1.6 million Alberta waterflood acquisition + \$3.2 million capital commitment | \$3.3 million SE Sask acquisition + 12 HZ well drill commitment over 2 years |
|--|---|--|

## PHASE 3 (Q3 2023 / Q4 2023):

|  |  |   |
|--|--|---|
| 2nd dividend increase in 2023 = 20% total increase | Achieved record production and revenue while still maintaining 25% of market cap in cash | Transformational \$8 Clearwater acquisition + 59 HZ well drill commitment |
|--|--|---|

**END RESULT**

Production = +40% → Royalty Land = +100% → Deeper PDP + Expanded Upside

# Balanced Growth & Yield Strategy

Providing income to shareholders for 10+ years while achieving revenue growth, asset diversification and upside drilling exposure



Source: <https://www.macrotrends.net/2516/wti-crude-oil-prices-10-year-daily-chart>

\* \$0.015 in Q1, \$0.0055/month in Q2 & Q3 and \$0.006/month for Oct to Dec

|                                  | 2021 | 2022 | 2023 |
|----------------------------------|------|------|------|
| Average daily production (boe/d) | 160  | 166  | 200  |

\$16 MM in dividends paid 2014 to present

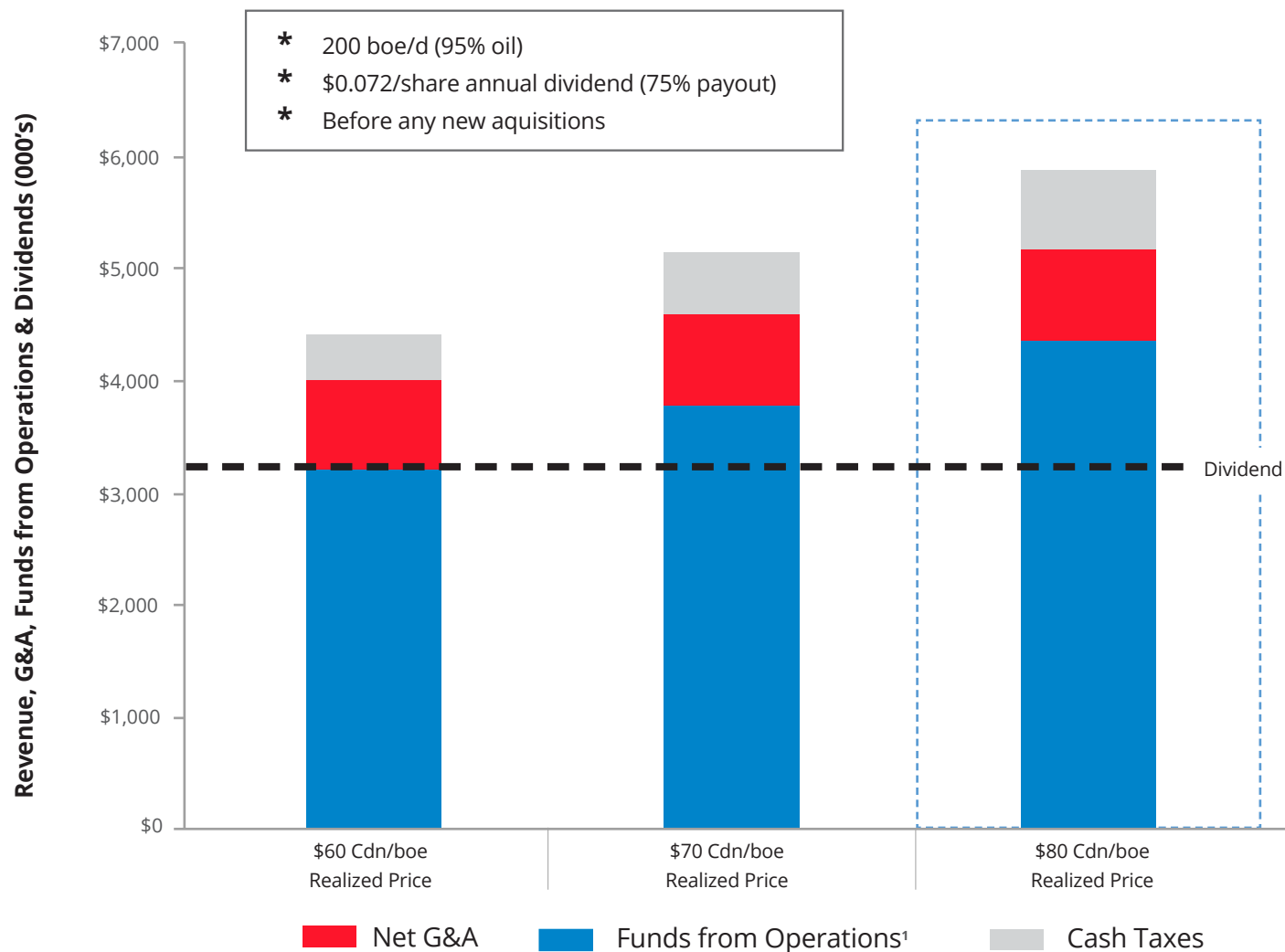
Dividend increased twice = 20% in 2023

Jan to Sep 2023 payout ratio = < 60%



# Dividend Sustainability: Downside Analysis

New monthly dividend comfortably funded by current operations



Notes:

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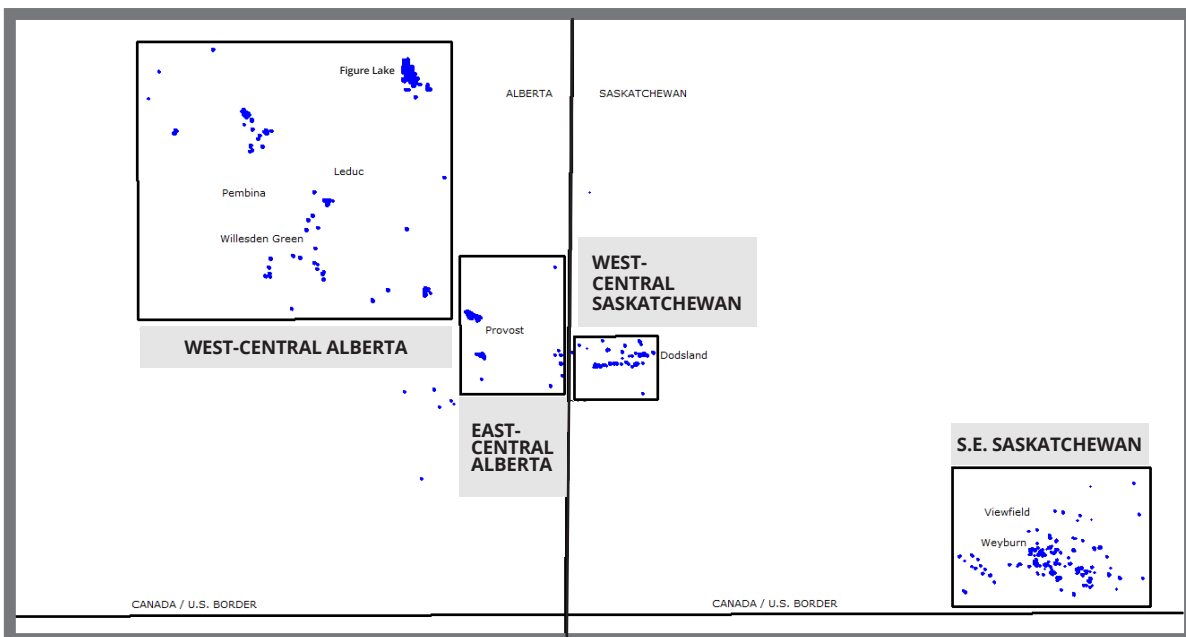


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# Royalty Asset Overview

**Diversified platform of oil royalties across Saskatchewan & Alberta with well positioned royalty payors**



| 2022/2023 Acquisitions:    | Nov 2022    | Mar 2023        | June 2023   | Dec 2023        |
|----------------------------|-------------|-----------------|-------------|-----------------|
| Region                     | S.E. Sask   | Central Alberta | S.E. Sask   | Central Alberta |
| Purchase Price (\$)        | 3.5 MM      | 1.6 MM          | 3.3 MM      | 8.0 MM          |
| Royalty Lands (acres)      | 6,400       | 15,000          | 5,800       | 61,000          |
| Initial Production (bbl/d) | 10          | 20              | 10          | 40              |
| Capital Commitment         | 15 HZ wells | \$3.2 MM        | 12 HZ wells | 59 HZ wells     |

**150,000+ gross acres of royalty lands**

**Base production from volume royalty**

**220+ boe/d (95% oil)**

**New drilling focused on S.E. Sask & Clearwater lands**

**99% of royalty revenue is paid by...**

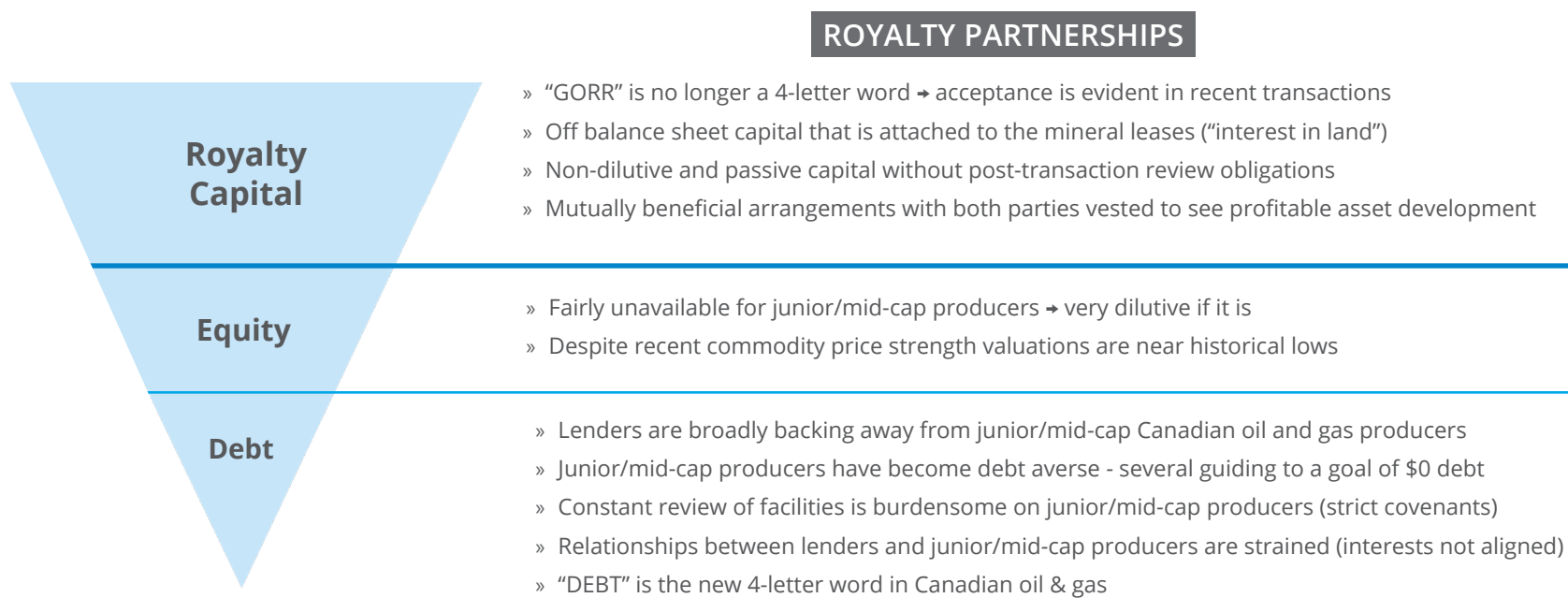
- » Axiom Oil & Gas
- » Anova Resources
- » Tundra Oil & Gas
- » Crescent Point Energy
- » CNRL
- » Marlin Resources
- » ROK Resources
- » Tourmaline Oil
- » InPlay Oil
- » Saturn Oil & Gas
- » Whitecap Resources
- » Rubellite Energy
- » Vermilion Energy
- » Surge Energy
- » Teine Energy
- » Longshore Resources
- » Woodland Development
- » Villanova Energy
- » Triland Energy
- » Lakeview Energy



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# Oil & Gas Royalty Acquisition Opportunities

Numerous paths available for growth and asset diversification



## EXISTING ROYALTIES

- » No database = barrier to entry
- » 11 years of boots on the ground = royalty intel
- » Niche relationships = embedded deal-flow
- » Many royalties are commingled in non-royalty platforms

## FEE TITLE & MINERAL INTERESTS

- » Industry relationships = partners for land development
- » ‘Land fund capital’ is a proven strategy
- » Pursue targeted mineral acquisitions to farm-out
- » Layer in highly prospective undeveloped land as cash flow scales



# Investment Highlights

**Highest yield, lowest valuation, strongest netback & positioned for material growth**

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- » Only junior oil and gas royalty company in Canada - balanced growth & yield strategy with a 10+ year track record
- » Vested management and Board with niche relationships in the Western Canadian oil & gas industry
- » Lead institutional shareholder (21%) is one of Canada's largest corporate Pension Funds - invested since 2014
- » \$2 million of working capital (NO DEBT) = \$0.04 per share (increasing monthly)
- » YTD 2023 results annualized = \$6.5 MM of royalty revenue
- » 9% yield @ \$0.80 - \$16 million in dividends paid since inception
- » Highest oil royalty weighting in Canada (90%+) = top tier netback (profit) per barrel
- » Low-cost corporate structure with only 1 full-time employee and prudent operations (insulated from inflation)
- » No future asset-level capital costs or abandonment / environmental liabilities
- » No cheap shares - Insiders' and key shareholders' ACB = higher than current share price



# APPENDIX

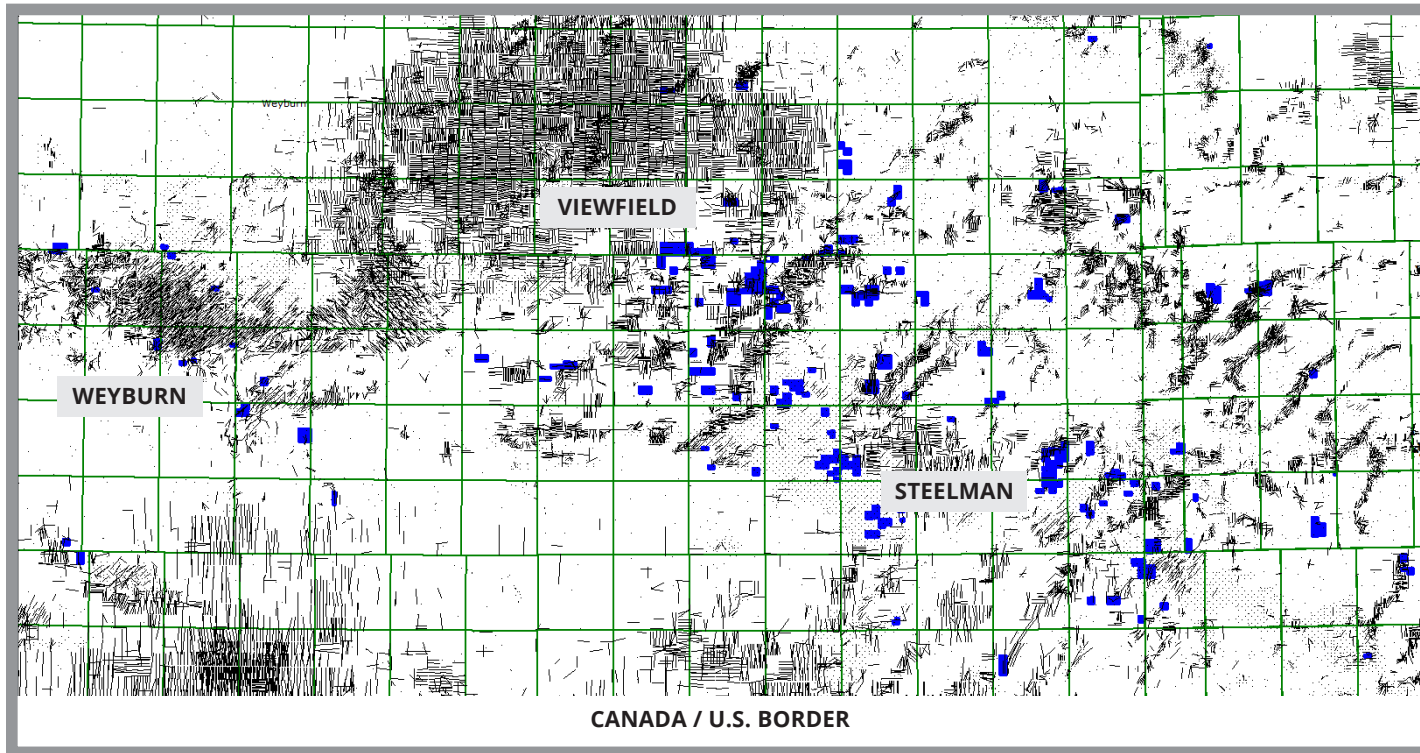
## Royalty Asset & ESG Information



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# SE Sask Light Oil GORR's

Light oil GORR's in an active fairway with well-positioned operators and royalty & mineral interest consolidation opportunities



- » Base production with identified upside drilling locations
- » Approximately 35,000 gross acres of royalty lands
- » Looking to expand assets in this fairway → royalty option in place with a private SE Sask operator
- » Region provides insulation from any Alberta / W. Sask pricing differential issues due to selling at Cromer, MB

Recent acquisitions included significant drill commitments



Key operators include Whitecap, Vermilion, Anova, Crescent Point, Tundra & Saturn

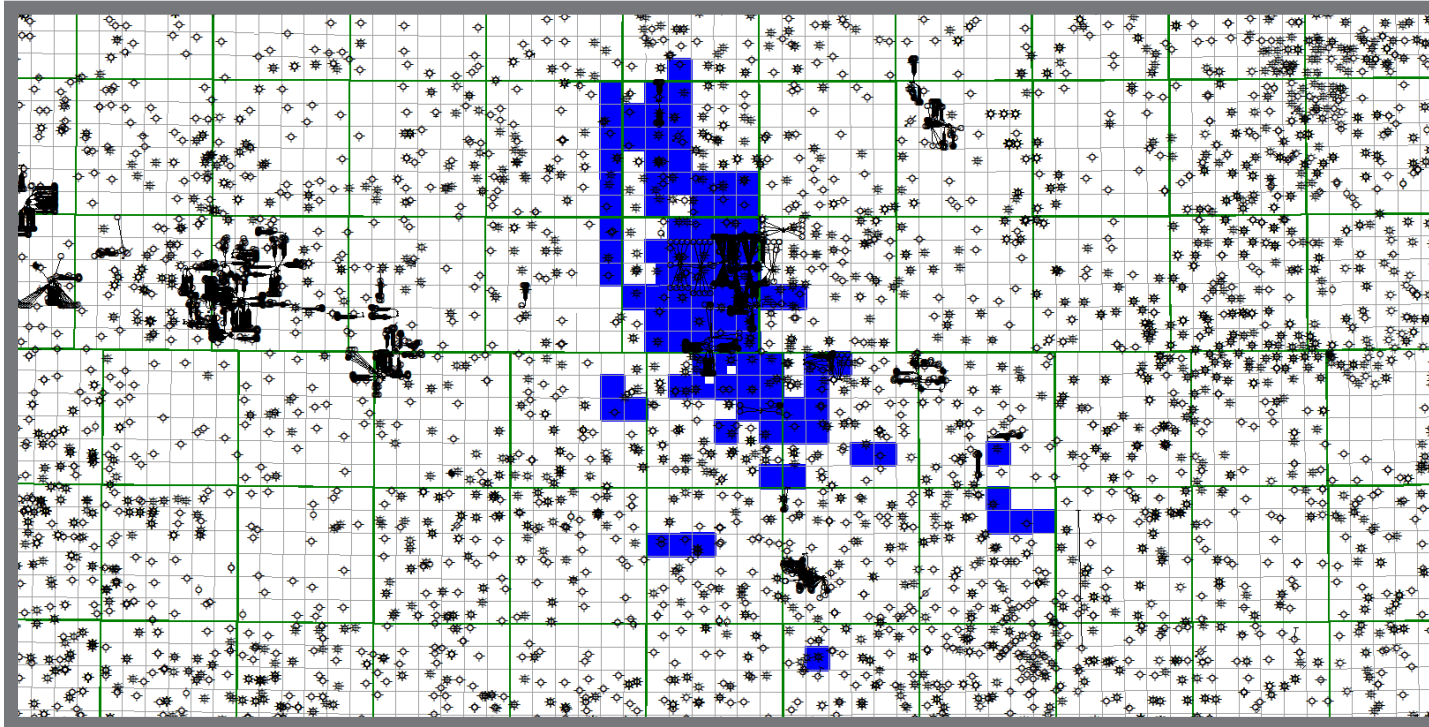


Robust Frobisher drilling activity ongoing



# Clearwater Heavy Oil GORR

**Material land position with strong base production and development upside**



- » 1.5% GORR in 61,440 gross acres of land (1.0% after purchase price recuperated)
- » Commitment from operator to drill 59 HZ wells between Dec 2023 and June 2026
- » First heavy oil royalty = exposure to improving WCS oil prices when TMX pipeline is operational
- » Establishes a partnership with a high-quality operator in an exciting new core area

Material expansion  
of our base  
production



59 well drill  
commitment by  
June 2026



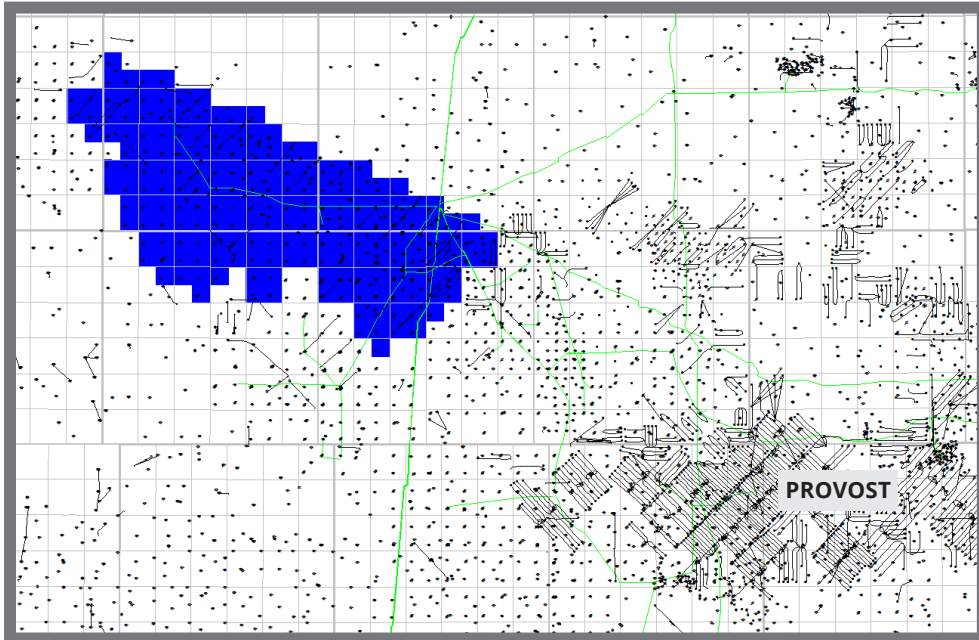
Experienced and  
growing operator





# Hamilton Lake Unit Viking Light Oil Royalty

## Light oil royalty exposure with leverage to higher oil prices



- » \$17 MM received for July 2015 to December 2023
- » 115,000 barrels of future entitlement remaining

### Volume Royalty

- » Covered by Hamilton Lake Unit and Viking lands of Axiom Oil & Gas at Consort and Esther
- » 2024 - 75 bbl/d; 2025 - 70 bbl/d; 2026 - 39 bbl/d
- » 20% per year decline 2027-2034
- » Conversion to 0.50% GORR or \$500,000 buy-out at end of term

Provides base light oil production



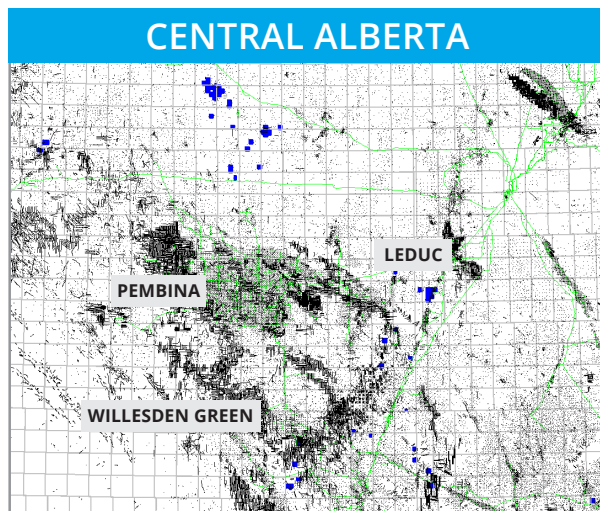
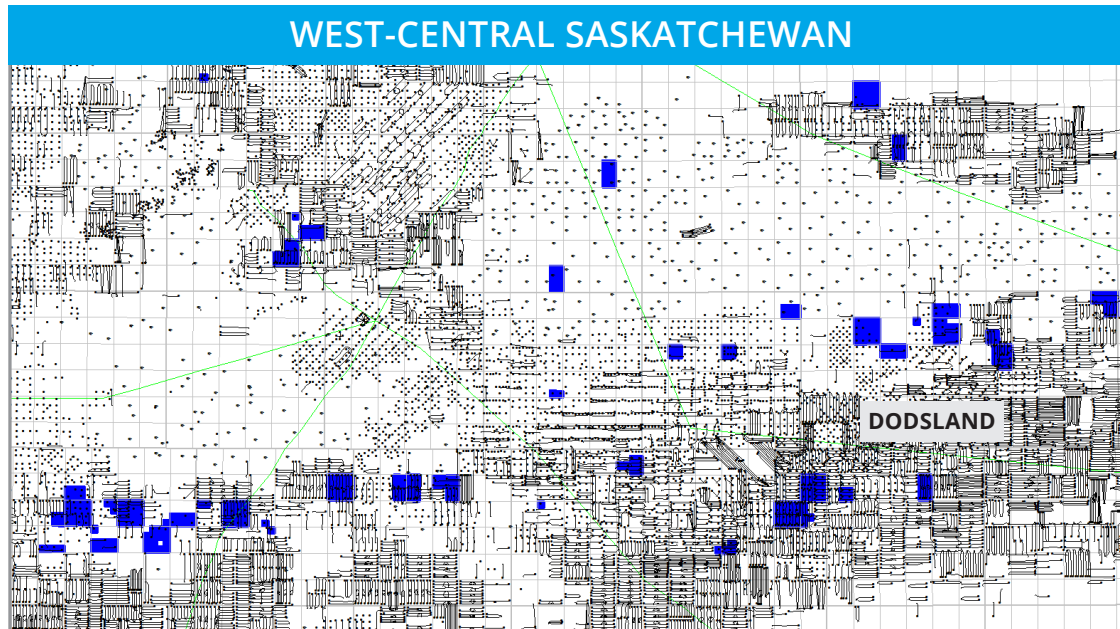
Experienced and growing private operator



Reserves exposure provides ongoing upside with higher oil prices

# Central Alberta & Saskatchewan GORR's

Base production with development drilling and undeveloped land exposure



- » Primary development in the Viking and Mannville formations
- » New acquisition adds 3 light oil waterflood properties in Alberta
- » Multi-zone development potential in west-central Alberta
- » Periodic development drilling ongoing in both regions

Various GORR's in  
~60,000 gross acres  
of lands



Lands are in  
areas with  
active industry  
development



Certain lands  
recently moved to  
stronger hands



# ESG Dynamics

## A business model that by its very nature supports ESG policies and practices

### Environmental

- » All royalty properties are in Canada = stringent regulations and industry leadership in technology innovation
- » No field operations = no exposure to well abandonment or facility de-commissioning liabilities or reclamation obligations
- » Align ourselves with competent operators that are strong stewards of environmental policies and best practices
- » Royalty Payors are committed to operate in accordance with good oilfield practices and in compliance with all laws

### Social/Sustainability

- » Provide financial support to local causes
- » Maintain a low-cost operating platform to ensure long-term sustainability and allow for a portion of funds from operations to contribute to environmental and social initiatives
- » Manage business risk by avoiding the use of leverage and minimizing ongoing financial obligations

### Governance

- » Maintain a large Board of almost entirely Independent Directors to maximize expertise, minimize conflicts of interest and ensure the highest ethical standards
- » Almost entirely independent Committees to oversee audit & reserves activities and to set management compensation
- » Regularly evaluate Board gender and skill-set diversification

# Cautionary Statements and Advisories

The information contained in this presentation does not purport to be all-inclusive or to contain all information that readers may require. Readers are encouraged to conduct their own analysis and reviews of Source Rock Royalties Ltd. (the "Company") and of the information contained in this presentation. Without limitation, readers should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider appropriate in investigating and analyzing the Company.

## Forward-Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential" and "capable" and similar expressions, or the negatives thereof, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this presentation should not be unduly relied upon. These statements speak only as of the date of this presentation. In addition, this presentation may contain forward-looking statements and forward-looking information attributed to third party industry sources.

In particular, this presentation contains forward-looking statements pertaining to the following: the estimated production and decline rates from the Company's assets; the Company's expectations regarding commodity prices; expectations regarding the Company's cash tax amounts due; supply and demand fundamentals for crude oil and natural gas; the cash available for the payment of dividends; the Company's dividend policy, including the sustainability of dividend payments and the amount and timing of dividend payments; the timing for receipt of regulatory approvals; the financial strength of the Company's royalty payors; expectations regarding the possibility that the Company's ongoing working relationships will lead to future royalty acquisition opportunities; expectations regarding drilling activity to be undertaken by operators in areas in which the Company owns royalties and the resulting level of anticipated production; the Company's growth strategy, including through acquisitions; expectations with respect to future opportunities; expectations with respect to future funds from operations and other financial results, including expected production and revenue from the PVR and the proportion that revenue from the PVR constitutes of total revenue; the long-term impact of COVID-19 on the Company's business, financial position, results of operations and cash flows; the estimated quantity and value of the Company's proved and probable reserves; estimates of future interest and foreign exchange rates; the development of undeveloped reserves and the expected timing thereof; expectations that the Company's competitive advantages will yield successful execution of its business strategy; the potential for production disruption and constraints; industry conditions pertaining to the oil and gas industry; the Company's treatment under governmental regulatory regimes and tax laws; and the Company's future general and administrative expenses ("G&A").

With respect to forward-looking statements and forward-looking information contained herein, assumptions have been made regarding, among other things: future crude oil and natural gas prices; the Company's future production levels; the ability of the working interest owners in the Company's royalty lands to maintain or increase production and reserves from these properties; the ability of the working interest owners in the Company's royalty lands to successfully market their respective crude oil and natural gas products; the ability of the Company to enforce contractual provisions in order to receive payments in respect of its royalty lands; the willingness and financial capability of the working interest owners in the Company's royalty lands to continue to develop and invest additional capital in the Company's royalty lands and to obtain financing on acceptable terms, or at all, to fund capital

expenditures; the Company's future income tax expense; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future; the absence of any material litigation or claims against the Company; the recoverability of the Company's reserves; future cash flows from production meeting the expectations stated in this presentation; geological and engineering estimates in respect of the Company's reserves; the intentions of the Board with respect to the executive compensation plans and corporate governance programs described herein; the impact of competition on the Company; the Company's ability to obtain qualified staff in a timely and cost-efficient manner; and the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this presentation, including: volatility in market prices for crude oil and natural gas; risks related to the exploration, development and production of oil and natural reserves; risks relating to the Company's dividend policy, including any changes thereto such as a decrease or elimination of the payment of dividends by the Company as a result of a Board determination or restrictions under applicable agreements or corporate laws; the Company's royalty lands not being developed by third parties in the manner anticipated by the Company; failure by counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties; the Company's status and stage of development; general economic, market and business conditions; risks of health epidemics, pandemics and similar outbreaks, including COVID-19, which may have sustained material adverse effects on the Company's business, financial position, results of operations and cash flows; current global financial conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility; competition for, among other things, capital and the acquisition of royalties; risks related to the environment and changing environmental laws in relation to the operations conducted on the Company's royalty lands; climate change risks, including the effects of unusual weather and natural catastrophes; actions by governmental authorities, including changes in government regulation and taxation; geological, technical, drilling and completions, processing and handling issues (including deductions from the Company's royalty share of production) associated with crude oil and natural gas development activities by third parties; failure of third parties' reviews, reports and projections to be accurate; the availability of capital on acceptable terms; political risks; changes in tax or environmental laws or royalty or incentive programs relating to the oil and natural gas industry; changes to royalty or tax regimes; the failure of the Company or the holders of certain licenses or leases to meet specific requirements of such licenses or leases; claims made or legal actions brought against the Company in respect of the Company's properties or assets; aboriginal claims; unforeseen title defects; risks arising from future acquisition activities; potential conflicts of interest; the potential for management estimates and assumptions to be inaccurate; risks associated with establishing and maintaining systems of internal controls; risks related to the reliance on historical financial information, including that historical financial information does not reflect the added costs that the Company expects to incur as a public entity; volatility in the market price of the Company's common shares or warrants; the effect that the issuance of additional securities by the Company could have on the market price of the Company's common shares or warrants; uncertainties inherent in estimating quantities of oil and natural gas reserves; and discretion in the use of proceeds of the Company's working capital.

In addition, information and statements in this presentation relating to "reserves" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive.

# Cautionary Statements and Advisories (Continued)

The forward-looking statements included in this presentation are expressly qualified by this cautionary statement and are made as of the date of this presentation. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

Certain statements included in this presentation may be considered “financial outlook” or “future-oriented financial information” (“FOFI”) for purposes of applicable securities laws, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in this presentation and such variation may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management’s best estimates and judgements. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. FOFI contained in this presentation was made as of the date of this presentation and was provided for the purpose of providing further information about the Company’s anticipated future business operations. Readers are cautioned that the FOFI contained in this presentation should not be used for purposes other than for which it is disclosed herein.

## Non-GAAP Measures & Ratios

This presentation 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 and ratios used by Source Rock may not be comparable to similar measures used by other companies.

“Adjusted EBITDA” is used by management to analyze Source Rock’s profitability based on its 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 Source Rock 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. Source Rock considers 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. Source Rock believes 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.

“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.

“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.

“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.

## Oil and Gas Information Presentation Advisories

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

## Information Regarding Public Issuer Counterparties

Certain information contained in this presentation relating to the Company’s public issuer counterparties and the nature of their respective businesses is taken from and based solely upon information published by such issuers. The Company has not independently verified the accuracy or completeness of any such information.

## Presentation of Market and Industry Data

Certain market, independent third-party and industry data contained in this presentation is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Company has not conducted its own independent verification of such information. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from independent third-party sources referred to in this presentation or ascertained the underlying assumptions relied upon by such sources.