SOURCE ROCK ROYALTIES LTD (SRRRF)

Updated January 4th, 2026 by Nikolaos Sismanis

Key Metrics

Current Price:	$0.64	**5 Year Annual Expected Total Return:**	4.2%	**Market Cap:**	$29.2 M
Fair Value Price:	$0.50	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	12/31/2025
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.8%	**Dividend Payment Date:**	01/15/2026
Dividend Yield:	8.9%	**5 Year Price Target**	$0.50	**Years Of Dividend Growth:**	4
Dividend Risk Score:	F	**Sector:**	Energy	**Rating:**	Hold

Overview & Current Events

Source Rock Royalties, is a pure-play oil and gas royalty company focused on acquiring high-netback interests across the Western Canadian Sedimentary Basin. Operating a capital-light, non-operating model, the company generates top-line revenue through Gross Overriding Royalties (GORR), which are contractual slices of production from third-party working interests, and Fee Title mineral interests, which are leased to operators for lessor royalties and signing bonuses. Source Rock's portfolio is heavily weighted (about 95%) toward light and heavy oil production in southeast Saskatchewan and Alberta's Clearwater play, with assets operated by partners like Whitecap Resources and Rubellite Energy. The company reports its financials in CAD. All figures in this report have been converted to USD unless otherwise noted. Source Rock has a market cap of just $29.2 million and pays dividends on a monthly basis. It was founded in 2012 and headquartered in Calgary, Canada.

On December 1st, 2025, Source Rock reported its Q3 results for the period ending September 30th, 2025. Royalty revenue declined 25% year over year to $1.1 million, reflecting a 12% decrease in average daily production and a 14% decline in realized oil prices. Adjusted EBITDA fell 21% year over year to $1.0 million, or $0.02 per share, while FFO fell 13% to $0.9 million, or $0.02 per share, as lower commodity pricing more than offset reductions in administrative expenses. Net income grew year over year, with total comprehensive income of $0.3 million, translating to $0.01 per share, supported by lower depletion and share-based compensation costs. For FY2025, we expect EPS of $0.0025

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	---	---	---	---	$0.01	($0.08)	$0.00	$0.04	$0.03	$0.02	***$0.025***	***$0.03***
DPS	---	---	---	---	$0.05	$0.00	$0.01	$0.04	$0.05	$0.05	***$0.057***	***$0.06***
Shares[1]	---	---	---	---	27.6	29.0	31.2	43.2	46.6	47.8	***48.1***	***50.0***

Source Rock's history in the public market is very short, yet very volatile due to the extreme fluctuations in global crude prices. The ($0.08) loss in 2020 was the result of the COVID-19 pandemic, which caused a collapse in benchmark prices and forced many of the company's operators in the Western Canadian Sedimentary Basin to shut in production. This led to a significant drop in royalty revenue and non-cash impairment charges on their asset base. The break even results in 2021 and subsequent rise in 2022 was fueled by the post-pandemic price rally (WTI frequently exceeding $90/bbl) and the company's March 2022 IPO, which provided the capital to acquire high-netback assets in the Alberta Clearwater and southeast Saskatchewan Frobisher plays just as prices were peaking.

From 2023 ($0.03) to 2024 ($0.02), the company achieved record-breaking operational success, but EPS moderated due to accounting and tax headwinds. In 2024, Source Rock hit a record annual production of 251 boe/d (a 21% increase over 2023) and record revenue of $7.68 million. However, the bottom-line EPS was weighed down by significantly higher depletion charges (as they produced more from their expanded asset base) and a transition into a higher cash tax bracket. Furthermore, while production volumes hit all-time highs due to 43 new wells coming online in 2024, average

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

realized prices softened slightly (decreasing from approximately $87/boe to $83/boe), which compressed the high-margin gains seen during the 2022 price spike.

Moving forward, we don't forecast either growth or decline in EPS due to the inherent lack of control over third-party drilling timelines and the company's strategic decision to remain 100% unhedged against commodity price swings. We also don't forecast any growth in the dividend, despite incremental hikes in recent years, for the same reason.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	---	---	---	---	---	---	---	---	---	---	***25.6***	***20.0***
Avg. Yld.	---	---	---	---	---	---	---	---	---	---	***8.9%***	***11.4%***

Source Rock appears "expensive" on Price-to-Earnings (P/E) because high non-cash depletion charges, accounting for the "using up" of oil reserves, heavily suppress net income. However, it is significantly "cheaper" on Funds From Operations (FFO), as the business carries zero capital or operating costs, allowing nearly all revenue to flow through as cash. Still, valuing the company long term via its EPS makes sense given it is critical for gauging sustainability, as it verifies that the company is truly profitable after accounting for the cost of replacing the finite oil it produces. We believe the company should trade at more modest levels, and at higher yield to compensate for the underlying risks involved.

Safety, Quality, Competitive Advantage, & Recession Resiliency

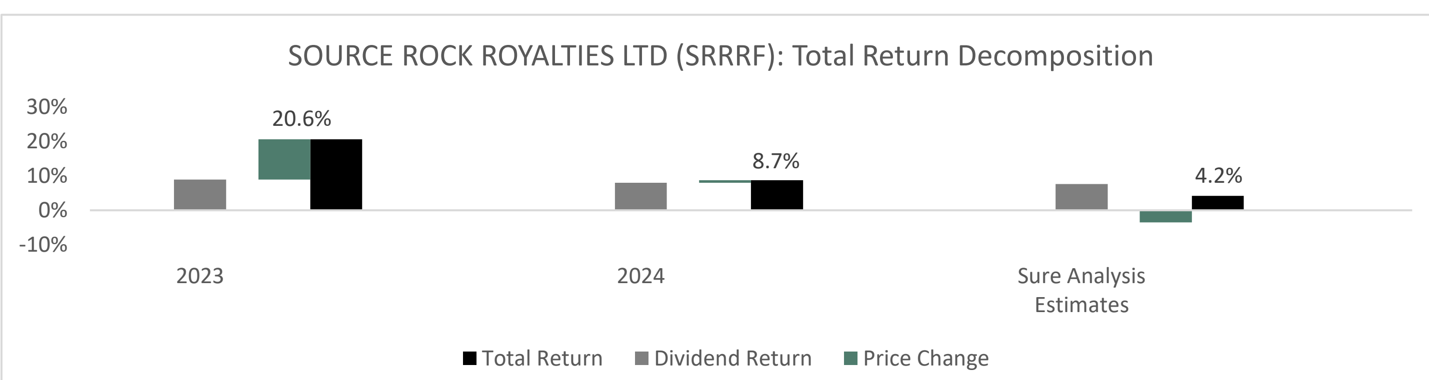
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	---	100%	167%	250%	***228%***	***228%***

Source Rock can be attractive due to its "pure-play" royalty model, which boasts nearly 100% gross margins and a debt-free balance sheet (net cash at $3.4 million). Also, its non-operating structure removes exposure to capital cost inflation, environmental liabilities, and drilling risks. These costs are entirely borne by partners like Whitecap Resources. However, there not any particular competitive advantages, especially considering how small the company is. Also, the dividend is covered by funds from operations (C$6 million last year vs. C$3.5 million in dividends paid). However, it exceeds EPS, which might prove a problem long term, especially if oil prices decline while reserves gradually deplete. We wouldn't blindly trust the dividend, but the company could sustain the current payout for as long as FFO allows.

Final Thoughts & Recommendation

Source Rock Royalties is a high-margin, debt-free "cash cow" that offers pure-play oil exposure and a high-yield monthly dividend, but it is best suited for investors are highly familiar with the sector and ready to navigate the inherent volatility of its unhedged, nano-cap profile. We forecast annualized returns of 4.2% over the medium term as returns from the dividend could be offset by valuation headwinds. We rate the stock a hold, but warn that our forecast is speculative.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue							3	5	5	6
Gross Profit							-	-	-	3
Gross Margin							0.0%	0.0%	0.0%	48.8%
SG&A Exp.							0	1	1	1
D&A Exp.							2	2	2	3
Operating Profit							1	2	1	1
Operating Margin							29.3%	48.6%	27.6%	26.5%
Net Profit							0	2	1	1
Net Margin							4.1%	39.4%	23.6%	19.4%
Free Cash Flow							2	1	(6)	5
Income Tax							(0)	1	1	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets							12	21	21	18
Cash & Equivalents							1	10	1	3
Accounts Receivable							1	1	1	1
Inventories							-	-	-	-
Goodwill & Int. Ass.							0	0	0	0
Total Liabilities							1	1	0	1
Accounts Payable							0	0	0	0
Long-Term Debt							-	-	-	-
Shareholder's Equity							12	20	20	18
LTD/E Ratio							-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets								11.8%	5.5%	5.6%
Return on Equity								12.4%	5.7%	5.7%
ROIC								12.4%	5.7%	5.7%
Shares Out.							31.2	43.2	46.6	47.8
Revenue/Share							0.08	0.12	0.11	0.12
FCF/Share							0.04	0.03	(0.13)	0.10

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.