SOURCE ROCK ROYALTIES LTD (SRRRF)

Updated August 20th, 2026 by Nikolaos Sismanis

Key Metrics

Current Price:	$0.75	**5 Year Annual Expected Total Return:**	0.9%	**Market Cap:**	$34 M
Fair Value Price:	$0.50	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	08/31/2026
% Fair Value:	150%	**5 Year Valuation Multiple Estimate:**	-7.8%	**Dividend Payment Date:**	09/15/2026
Dividend Yield:	7.6%	**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 $33 million and pays dividends on a monthly basis. It was founded in 2012 and headquartered in Calgary, Canada.

On June 1st, 2026, Source Rock reported its Q1 results for the period ending March 31st, 2026. Royalty revenue declined 22% year over year to $0.95 million, reflecting a 20% decrease in average daily production to 185 boe/d and a 2% decline in realized prices. Adjusted EBITDA fell 30% year over year to $0.74 million, or $0.016 per share, while FFO fell 28% to $0.68 million, or $0.015 per share, as weak oil prices during January and February reduced drilling and new production, while a scheduled reduction in its production volume royalty also weighed on results. Total comprehensive income dipped 1% to $0.26 million, or $0.006 per share, though conditions improved sharply in March as seven new horizontal wells began producing. For FY2026, we expect EPS of $0.025.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	---	---	---	$0.01	($0.08)	$0.00	$0.04	$0.03	$0.02	$0.02	***$0.025***	***$0.03***
DPS	---	---	---	$0.05	$0.00	$0.01	$0.04	$0.05	$0.05	$0.06	***$0.057***	***$0.06***
Shares[1]	---	---	---	27.6	29.0	31.2	43.2	46.6	47.8	48.0	***48.0***	***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) through 2025 ($0.02), the company maintained its profitability profile despite a transition from record-breaking growth to a more defensive macro environment. In 2024, Source Rock achieved peak annual production of 251 boe/d and revenue of $5.6 million, though the bottom line was weighed down by higher depletion charges and a shift into a higher tax bracket. This momentum moderated in 2025, with annual production receding 8% to 230 boe/d and revenue declining to $4.4 million. While 2024 benefited from 43 new wells coming online, activity slowed to 33 new

[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.

wells in 2025 as average realized prices dropped 14% to approximately $52/boe (down from $61/boe in 2024). Despite these commodity price headwinds and reduced drilling activity, the company sustained an EPS of $0.02 by leveraging lower administrative overhead and reduced depletion costs compared to the previous year.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	---	---	---	---	---	---	---	---	---	---	***30.0***	***20.0***
Avg. Yld.	---	---	---	---	---	---	---	---	---	---	***7.6%***	***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

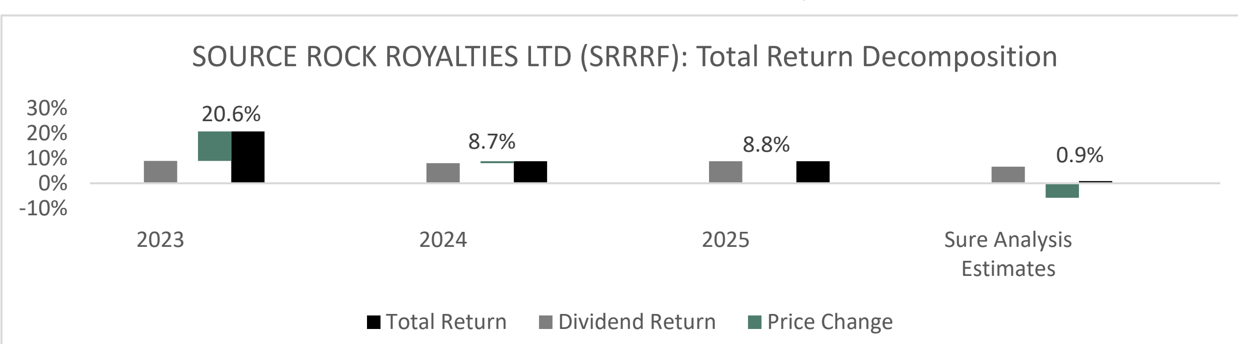
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	---	---	---	---	100%	167%	250%	279%	***228%***	***228%***

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 $2.7 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$4.8 million last year vs. C$3.6 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 just 0.9% 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.