

Lotus Creek Exploration Inc. Announces First Quarter 2025 Operating Results

Calgary, Alberta--(Newsfile Corp. - May 14, 2025) - Lotus Creek Exploration Inc. ("Lotus Creek" or the "Company") (TSXV: LTC) is pleased to provide the following first quarter operating results to shareholders. Lotus Creek's Interim Consolidated Financial Statements and related Management's Discussion and Analysis ("MD&A") for the period ended March 31, 2025 are available for review on Lotus Creek's website at www.lotuscreek.ca and on www.sedarplus.ca.

QUARTERLY HIGHLIGHTS

- On February 5, 2025, Lotus Creek, Gear Energy Ltd. ("Gear") and an unrelated third-party (the "Third-Party") closed the previously announced plan of arrangement (the "Arrangement"). Under the Arrangement, Gear's producing oil and gas properties in Central Alberta and Southeast Saskatchewan and its evaluation and exploration properties in Tucker Lake, Alberta were acquired by Lotus Creek plus the Company received \$21.5 million of working capital surplus. For the first quarter, the commercial operations of Lotus Creek are between February 5, 2025 and March 31, 2025 (the "Operating Period").
- Lotus Creek invested a total of \$9.6 million of capital during the first quarter. The Company maintains a strong balance sheet with a working capital surplus of \$12.2 million at the end of the first quarter and access to ample liquidity through its undrawn \$35.0 million Credit Facility.
- The Company drilled and completed its inaugural heavy oil well in its exploratory acreage at Tucker Lake, Alberta and completed two heavy oil wells in Tucker Lake that were acquired as per the Arrangement. These wells were operated temporarily to recover load fluid and were shut in after the fact. Lotus Creek is awaiting approval from the Alberta Energy Regulator for the facility license and anticipates approval during the second quarter of 2025.
- During the first quarter, the Company completed a 44 square mile 3D seismic program in Central Alberta and the data evaluation is currently ongoing. Lotus Creek plans to execute a Belly River drilling program in Central Alberta during the second half of 2025 with new volumes expected to come on-stream in the fourth quarter of 2025.
- Production for the first quarter of 2025 was 1,632 boe per day which includes 945 bbl per day of light oil, 252 bbl per day of NGLs and 2,609 mcf per day of natural gas and relate to the Operating Period. During the first quarter, Lotus Creek partially restarted a natural gas field in the Medicine Hat area. The field is currently producing 966 mcf per day.
- Adjusted funds from operations ("Adjusted FFO") for the first quarter of 2025 was \$1.6 million. Adjusted FFO reflects that the Operating Period was only 55 days and not a full quarter. Commodity prices decreased in the first quarter driven by a lower WTI benchmark oil price due to trade and demand concerns and widened differentials. Lotus Creek will continue to monitor commodity prices and overall market conditions. See "Non-GAAP and Other Financial Measures" in this press release.

LOTUS CREEK HIGHLIGHTS

Lotus Creek is a Canadian exploration and production company with oil production in Central Alberta and Southeast Saskatchewan and exploration assets in Tucker Lake and Central Alberta. On February 5, 2025, Lotus Creek, Gear and the Third-Party closed the previously announced transformative Arrangement. Under the Arrangement, Gear's producing oil and gas properties in Central Alberta and Southeast Saskatchewan and its evaluation and exploration properties in Tucker Lake, Alberta were acquired by Lotus Creek plus the Company received \$21.5 million of working capital to fund its

exploration and development activities. In exchange, Lotus Creek issued 40.0 million common shares at \$2.00 per share as consideration. Lotus Creek commenced commercial operations on close of the Arrangement.

Business Model

Lotus Creek is an oil weighted organic growth company. The objective is to be the fastest growing, fully funded, public junior oil and gas company in Canada. We will measure shareholder value creation by profitable growth in cashflow, production and producing reserves per debt adjusted share.

Key Attributes

- High-quality, light sweet oil production base with long life reserves
 - Proved Developed Producing ("PDP") reserves NPV-10 value \$76 million after-tax
- Material upside in Wilson Creek and Tucker Lake assets with strong economics and capital efficiencies
 - Multiple stacked oil reservoir zones, with open hole, multi-lateral and multi-stage fractured horizontal locations
- Well capitalized business model positioned to substantially grow in the coming years
 - Working capital surplus of \$12.2 million as at March 31, 2025 and a \$35 million available credit facility

The following table summarizes selected highlights for the three months ended March 31, 2025, and December 31, 2024.

	Three months ended	
(Cdn\$ thousands, except per share, share and per boe amounts)	Mar 31, 2025(2)	Dec 31, 2024(3)
FINANCIAL		
Adjusted funds from operations (1)	1,619	(13)
Per boe	18.04	-
Per weighted average basic share	0.07	-
Cash flows used in operating activities	(443)	-
Per boe	(4.94)	-
Per weighted average basic share	(0.02)	-
Net loss	(489)	(13)
Per weighted average basic share	(0.02)	-
Exploration and evaluation expenditures	9,292	746
Property, plant and equipment expenditures	294	-
Acquisitions	80,147	-
Net surplus (debt) (1)	12,192	(759)
Weighted average shares, basic (thousands)	24,444	-
Shares outstanding, end of period (thousands)	40,000	-
OPERATING		
Production		
Light oil (bbl/d)	945	-
Natural gas liquids (bbl/d)	252	-
Natural gas (mcf/d)	2,609	-
Total (boe/d)	1,632	-
Average realized prices		
Light oil (\$/bbl)	89.82	-
Natural gas liquids (\$/bbl)	43.21	-
Natural gas (\$/mcf)	2.23	-
Netback (\$/boe)		
Petroleum and natural gas sales	62.27	-
Royalties	(9.07)	-
Operating expenses	(23.92)	-
Transportation expenses	(1.87)	-
Operating netback (1)	27.41	-
General and administrative	(9.24)	-
Interest income	0.78	-
Interest and financing charges	(0.91)	-

(1) Adjusted funds from operations (including per boe and per weighted average basic share), net surplus (debt) and operating netback do not have any standardized meanings under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar

measures presented by other entities. For additional information related to these measures, including a reconciliation to the nearest GAAP measures, where applicable, see "Non-GAAP and Other Financial Measures" in this press release.

(2) The commercial operations of Lotus Creek for the first quarter of 2025 are between February 5, 2025 and March 31, 2025.

(3) As Lotus Creek was incorporated on August 21, 2024, there is no comparative for the three months ended March 31, 2024. As such, the only comparative period is the three months ended December 31, 2024; however, no material commercial operations were conducted by Lotus Creek in the three months ended December 31, 2024.

Forward-Looking Information and Statements

This press release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this press release contains forward-looking information and statements pertaining to the following: Lotus Creek's operational strategy, plans, priorities and focus; Lotus Creek's objective to be the fastest growing, fully funded, public junior oil and gas company in Canada; the intent to deliver superior total shareholder returns and its anticipated means of achieving such objective; the expectation that the Company has ample liquidity; the expectation of receiving approval from the Alberta Energy Regulator for the facility license in Tucker Lake during the second quarter of 2025; Lotus Creek's plans to execute a Belly River drilling program in Central Alberta during the second half of 2025 with new volumes expected to come on-stream in the fourth quarter of 2025; the intent of Lotus Creek to continue to monitor commodity prices and overall market conditions and to determine whether to make adjustments to its 2025 capital expenditure budget and guidance; the expectation that there are 6 prospective oil targets in each growth area, with open hole, multi-lateral development potential; and statements with respect to reserves and the associated value thereof.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of Lotus Creek including, without limitation: that Lotus Creek will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the duration and impact of tariffs that are currently in effect on goods exported from or imported into Canada, and that other than the tariffs that are currently in effect, neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, reenacts tariffs that are currently suspended, or imposes new tariffs, on the import of goods from one country to the other, including on oil and natural gas, and/or (ii) imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; the ability of the Company to receive all necessary regulatory approvals without significant adverse conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Lotus Creek's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Lotus Creek believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

To the extent that any forward-looking information contained herein may be considered a financial outlook, such information has been included to provide readers with an understanding of management's assumptions used for budgeting and developing future plans and readers are cautioned that the information may not be appropriate for other purposes. The forward-looking information and statements included in this press release are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: the risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the

import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S., will trigger a broader global trade war which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Company, including by decreasing demand for oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the failure to receive any regulatory approvals required for the Company's operations as contemplated or the imposition of the impact of the Russian-Ukraine war and the Israel-Palestine war on the global economy and commodity prices; the impacts of inflation and supply chain issues; pandemics, political events, natural disasters and terrorism; changes in commodity prices; the impact of actions taken by OPEC+ on global supply and demand of oil and gas; changes in the demand for or supply of Lotus Creek's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Lotus Creek or by third party operators of Lotus Creek's properties, increased debt levels or debt service requirements; inability to obtain debt or equity financing as necessary to fund operations, capital expenditures and any potential acquisitions; any ability for Lotus Creek to repay any of its indebtedness when due; inaccurate estimation of Lotus Creek's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Lotus Creek's public documents including risk factors set out in Lotus Creek's Listing Application dated February 5, 2025 on TSXV Form 2B, which is available on SEDAR+ at www.sedarplus.ca.

The forward-looking information and statements contained in this press release speak only as of the date of this press release, and Lotus Creek does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures that Lotus Creek uses to analyze financial performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, and are not defined by IFRS Accounting Standards and are therefore referred to as non-GAAP and other financial measures. Management believes that the non-GAAP and other financial measures used by the Company are key performance measures for Lotus Creek and provide investors with information that is commonly used by other oil and gas companies. These key performance indicators and benchmarks as presented do not have any standardized meaning prescribed by IFRS Accounting Standards and therefore may not be comparable with the calculation of similar measures for other entities. These non-GAAP and other financial measures should not be considered an alternative to or more meaningful than their most directly comparable financial measure presented in the financial statements, as an indication of the Company's performance. Descriptions of the non-GAAP and other financial measures used by the Company as well as reconciliations to the most directly comparable GAAP measure for the quarter ended March 31, 2025 and the period from incorporation on August 21, 2024 to December 31, 2024, where applicable, is provided below.

Adjusted Funds from Operations

Adjusted funds from operations is a non-GAAP financial measure defined as cash flows (used in) from operating activities before changes in non-cash operating working capital and decommissioning liabilities settled and adding back transaction costs, if any. Transaction costs, which primarily include legal fees and other related acquisition costs, are excluded to provide a measure representing cash flows generated by the Company's routine business operations. Lotus Creek evaluates its financial performance primarily on adjusted funds from operations and considers it a key measure for management and investors as it demonstrates the Company's ability to generate the adjusted funds from operations necessary to fund its capital program, settle decommissioning liabilities and repay debt.

Reconciliation of cash flows from operating activities to adjusted funds from operations:

(\$ thousands)	Mar 31, 2025	Dec 31, 2024
Cash flows used in operating activities	(443)	-
Change in non-cash operating working capital	1,415	(13)
Add back transaction costs	647	-
Adjusted funds from operations	1,619	(13)

Adjusted Funds from Operations per BOE

Adjusted funds from operations per boe is a non-GAAP ratio calculated as adjusted funds from operations, as defined and reconciled to cash flows (used in) from operating activities above, divided by sales production for the period. Lotus Creek considers this a useful non-GAAP ratio for management and investors as it evaluates financial performance on a per boe level, which enables better comparison to other oil and gas companies in demonstrating its ability to generate the adjusted funds from operations necessary to fund its capital program, settle decommissioning liabilities and repay debt.

Adjusted Funds from Operations per Weighted Average Basic Share

Adjusted funds from operations per weighted average basic share is a non-GAAP ratio calculated as adjusted funds from operations, as defined and reconciled to cash flows (used in) from operating activities above, divided by the weighted average basic share amount. Lotus Creek considers this non-GAAP ratio a useful measure for management and investors as it demonstrates its ability to generate the adjusted funds from operations, on a per weighted average basic share basis, necessary to fund its capital program, settle decommissioning liabilities and repay debt.

Net Surplus (Debt)

Net surplus (debt) is a capital management measure defined as debt less current working capital items (excluding debt, risk management contracts, if any, and decommissioning liabilities). Lotus Creek believes net surplus (debt) provides management and investors with a measure that is a key indicator of its leverage and strength of its balance sheet. Changes in net surplus (debt) are primarily a result of adjusted funds from operations, capital and abandonment expenditures and equity issuances.

Reconciliation of debt to net surplus (debt):

Capital Structure and Liquidity (\$ thousands)	Mar 31, 2025	Dec 31, 2024
Debt	-	-
Working capital surplus ⁽¹⁾	12,192	(759)
Net surplus (debt)	12,192	(759)

(1) Current assets less current liabilities, excluding decommissioning liabilities.

Net Debt to Quarterly Annualized Adjusted Funds from Operations

Net debt to quarterly annualized adjusted funds from operations is a non-GAAP ratio and is defined as net debt, as defined and reconciled to debt above, divided by the annualized adjusted funds from operations, as defined and reconciled to cash flows from operating activities above, for the most recently completed quarter. Lotus Creek uses net debt to quarterly annualized adjusted funds from operations to analyze financial and operating performance. Lotus Creek considers this a key measure for management and investors as it demonstrates the Company's ability to pay off its debt and take on new debt, if necessary, using the most recent quarter's results. When the Company is in a net surplus position, the Company's net debt to annualized adjusted funds from operations is not applicable.

Operating Netback

Operating netbacks are non-GAAP ratios calculated based on the amount of revenues received on a per unit of production basis after royalties and operating costs. Management considers operating netback to be a key measure of operating performance and profitability on a per unit basis of production.

Management believes that operating netback provides investors with information that is commonly used

by other oil and gas companies. The measurement on a per boe basis assists management and investors with evaluating operating performance on a comparable basis.

Per BOE Figures

This press release represents various results on a per boe basis, including adjusted funds from operations, cash flows (used in) from operating activities, petroleum and natural gas sales, royalties, operating costs, transportation costs, general and administrative, interest income and interest and financing charges. These supplementary financial measures are determined by dividing the applicable financial figure as prescribed under IFRS by the Company's total sales volumes for the respective period.

Barrels of Oil Equivalent

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to one 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. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Reserves Information

Estimates of reserves and associated values presented herein have been derived from an evaluation of the assets acquired by Lotus Creek pursuant to the Arrangement prepared by Sproule Associates Limited, the Company's independent qualified reserves evaluator (the "Sproule Report"). The Sproule Report was prepared using forecast prices in accordance with the standards and the reserve definitions contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. The effective date of the Sproule Report is November 30, 2024 and the preparation date of the Sproule Report is December 18, 2024. Additional details from the Sproule Report are set out in Lotus Creek's Listing Application dated February 5, 2025 on TSXV Form 2B, which is available on SEDAR+ at www.sedarplus.ca.

Oil & Gas Matters

References to heavy oil, light and medium oil, natural gas liquids and natural gas in this press release refer to the heavy crude oil, light crude oil and medium crude oil, natural gas liquids and conventional natural gas, respectively, product types as defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

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