

FINANCIAL AND OPERATIONAL HIGHLIGHTS



	Three months ended	Three months ended	Six months ended
(Cdn\$ thousands, except per share, share and per boe amounts)	June 30, 2025 ⁽³⁾	Mar 31, 2025 ⁽²⁾	Jun 30, 2025 ⁽⁴⁾
FINANCIAL			
Adjusted funds from operations ⁽¹⁾	2,049	1,619	3,668
Per boe	13.84	18.04	15.42
Per weighted average basic share	0.05	0.07	0.11
Cash flows from (used in) operating activities	1,069	(443)	626
Per boe	7.22	(4.94)	2.63
Per weighted average basic share	0.03	(0.02)	0.02
Net loss	(115)	(489)	(604)
Per weighted average basic share	-	(0.02)	(0.02)
Exploration and evaluation expenditures	1,320	9,292	10,612
Property, plant and equipment expenditures	2,082	294	2,376
Net acquisitions ⁽⁵⁾	196	58,435	58,631
Decommissioning liabilities settled	70	-	70
Net surplus ⁽¹⁾	10,478	12,192	10,478
Weighted average shares, basic (thousands)	40,000	24,444	32,265
Shares outstanding, end of period (thousands)	40,000	40,000	40,000
OPERATING			
Production			
Light oil (bbl/d)	970	945	961
Natural gas liquids (bbl/d)	243	252	246
Natural gas (mcf/d)	2,481	2,609	2,529
Total (boe/d)	1,627	1,632	1,629
Average realized prices			
Light oil (\$/bbl)	82.58	89.82	85.26
Natural gas liquids (\$/bbl)	30.92	43.21	35.65
Natural gas (\$/mcf)	1.64	2.23	1.87
Netback (\$/boe)			
Petroleum and natural gas sales	56.38	62.27	58.59
Royalties	(7.77)	(9.07)	(8.26)
Operating expenses	(23.15)	(23.92)	(23.44)
Transportation expenses	(1.68)	(1.87)	(1.75)
Operating netback ⁽¹⁾	23.78	27.41	25.14
General and administrative	(9.47)	(9.24)	(9.38)
Interest income	0.54	0.78	0.63
Interest and financing charges	(1.01)	(0.91)	(0.97)

(1) Adjusted funds from operations, net surplus 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".

(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 and six months ended June 30, 2024. As such, the only comparative period is the three months ended March 31, 2025.

(4) Reflects commercial operations between February 5, 2025 and June 30, 2025.

(5) Net of decommissioning liabilities on date of acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is management's analysis of the financial performance of Lotus Creek Exploration Inc. ("Lotus Creek" or the "Company"). It is dated August 6, 2025 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements as at and for the three and six months ended June 30, 2025. The statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies aligned with International Financial Reporting Standards ("IFRS").

The MD&A contains non-GAAP measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Lotus Creek's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" included at the end of this MD&A. All figures are in Canadian dollar thousands unless otherwise noted.

ABOUT LOTUS CREEK EXPLORATION INC.

Lotus Creek was incorporated under the laws of the Province of Alberta on August 21, 2024 as 2640847 Alberta Ltd. On December 18, 2024, Articles of Amendment were filed to change the name of the Company to "Lotus Creek Exploration Inc.". Upon incorporation, the Company was a wholly-owned subsidiary of Gear Energy Ltd. ("Gear") and had limited operations. On February 5, 2025, the Company, Gear and an unrelated third-party (the "Third-Party") completed a plan of arrangement under the provisions of the *Business Corporations Act* (Alberta) (the "Arrangement"). Under the Arrangement, the Third-Party acquired Gear including all of its heavy oil assets (other than its Tucker Lake property). Gear's producing oil and gas properties in Central Alberta and Southeast Saskatchewan and its evaluation and exploration properties in Tucker Lake, Alberta (the "Lotus Creek Assets") were acquired by Lotus Creek. Lotus Creek also received a portion of the purchase price paid by the Third-Party to fund its exploration and development activities. Lotus Creek issued 40.0 million common shares (the "Common Shares") of the Company as consideration for the Lotus Creek Assets with such Common Shares distributed to the former holders of common shares of Gear pursuant to the Arrangement. On February 5, 2025, Lotus Creek commenced commercial operations on closing of the Arrangement. On February 11, 2025, the Common Shares began trading on the TSX Venture Exchange ("TSXV") under the symbol "LTC".

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. Presently, Lotus Creek has 17 employees with 14 staff in the Calgary office and 3 employees located in Lotus Creek's operating areas in Alberta and Saskatchewan. Lotus Creek also has a number of contractors in the Calgary office, and contract operators in the field.

Our 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 earnings, cashflow, production and producing reserves per debt adjusted share.

Key Attributes

- ✓ High-quality, light sweet oil production base with long life reserves
- ✓ 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

2025 GUIDANCE

Lotus Creek has reached an exciting and important part of its inaugural year as a new company. The Company has successfully commenced development in its two key focus areas, Wilson Creek in Central Alberta and Tucker Lake in Northern Alberta. The Company encountered good quality reservoir rock in both areas. The Company is progressing towards the completion and onstream stage and expects important production additions in the month of September from 3 gross (3.0 net) Tucker Lake heavy oil wells and 2 gross (2.0 net) Belly River light oil wells. The initial results from these wells are expected to have a meaningful impact on the 2025 annual metrics. At the present time, the Company has not made any changes to its 2025 guidance and budget as previously disclosed. Lotus Creek intends to update shareholders in the second half of 2025 as the new wells come on production. The Company's annual average production and fourth quarter production for 2025, as well as the other metrics disclosed in our previously issued guidance, will depend on the timing of bringing wells on production during the second half of the year.

Table 1

	2025 Fiscal Guidance	Q2 2025 YTD Actuals
Annual production (boe/d)	2,000 – 2,400	1,629
Q4 average production (boe/d)	3,000 – 3,400	NA
Light oil and NGLs weighting (%)	77	74
Heavy oil weighting (%)	10	-
Natural gas weighting (%)	13	26
Royalty rate (%)	12 – 13	14
Operating and transportation costs (\$/boe)	19.50 – 20.50	25.19
General and administrative expense (\$/boe)	5.00 – 5.50	9.38
Interest and financing charges (\$/boe)	0.50 – 1.00	0.97
Capital and abandonment expenditures (\$ millions) ⁽¹⁾	43.0	13.1

(1) Capital and abandonment expenditures includes decommissioning liability expenditures made by Lotus Creek.

METRICS

Lotus Creek measures its performance on its ability to grow value on a debt adjusted per share basis. Table 2 details funds from operations, cash flows from (used in) operating activities and production per debt adjusted share:

Table 2

	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Adjusted funds from operations			
per debt adjusted share ⁽¹⁾	0.072	0.079	0.134
Cash flows from (used in) operating activities			
per debt adjusted share ⁽¹⁾	0.037	(0.022)	0.023
Production, boepd			
per debt adjusted thousand shares ⁽¹⁾	0.057	0.080	0.060

(1) Adjusted funds from operations per debt adjusted share, cash flows from (used in) operating activities per debt adjusted share and production boepd per debt adjusted thousand shares are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

2025 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

On February 5, 2024, Lotus Creek commenced commercial operations following closing of the Arrangement. For the purposes of this MD&A, the commercial operations of Lotus Creek occurred between February 5, 2025 and June 30, 2025 for the purposes of this MD&A (the "Operating Period").

Adjusted Funds from Operations and Cash Flows from Operating Activities

Adjusted funds from operations for the three and six months ended June 30, 2025 was \$2.0 million or \$13.84 per boe and \$3.7 million or \$15.42 per boe, respectively. Fluctuations in funds from operations are the result of revenues due to realized commodity prices and sales volumes, royalties, operating and transportation costs, general and administrative ("G&A") costs, interest income and interest and financing charges.

Cash flows from operating activities for the three and six months ended June 30, 2025 was \$1.1 million or \$7.22 per boe and \$0.6 million or \$2.63 per boe, respectively. Fluctuations in cash flows from operating activities are the result of revenues due to realized commodity prices and sales volumes, royalties, operating and transportation costs, G&A costs, transaction costs, interest income, interest and financing charges and decommissioning liabilities settled.

Net loss

Lotus Creek generated a net loss of \$0.1 million and \$0.6 million for the three and six months ended June 30, 2025, compared to a net loss of \$0.5 million for the prior quarter. The change in net loss is due to several factors discussed below.

Production

Sales production volumes for the three and six months ended June 30, 2025 averaged 1,627 boe per day and 1,629 boe per day, respectively, compared to 1,632 boe per day for the previous quarter and relate to the Operating Period. Sales production volumes were flat quarter over quarter. In the second quarter of 2025, Lotus Creek did not drill any wells. Year to date, Lotus Creek acquired two gross (two net) heavy oil exploration and evaluation ("E&E") wells in Tucker Lake pursuant to the Arrangement and drilled one gross (one net) heavy oil Tucker Lake E&E well following close of the Arrangement. These wells were operated temporarily to recover load fluid and were shut in after. Lotus Creek is awaiting the facility license and anticipates approval during the third quarter of 2025. Once the facility license is approved, operations will commence in Tucker Lake.

Subsequent to June 30, 2025, Lotus Creek drilled two gross (two net) light oil Belly River wells in Wilson Creek. The wells are expected to be completed and on production by the end of the third quarter.

Table 3

	Three months ended		Six months ended
Production	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Liquids (bbl/d)			
Light oil (bbl/d)	970	945	961
Natural gas liquids (bbl/d)	243	252	246
Total liquids (bbl/d)	1,213	1,197	1,207
Natural gas (mcf/d)	2,481	2,609	2,529
Total production (boe/d)	1,627	1,632	1,629
% Liquids production	75	73	74
% Natural gas production	25	27	26

Petroleum and natural gas sales

For the three and six months ended June 30, 2025, sales of crude oil, natural gas and natural gas liquids (“NGLs”) totaled \$8.3 million and \$13.9 million compared to \$5.6 million for the previous quarter and relate to the Operating Period. The increase from the prior period was mainly the result of the Operating Period starting February 5, 2025, partially offset by decreased realized commodity prices. There were no sales prior to the Arrangement.

A breakdown of sales by product is outlined in Table 4:

Table 4

Sales by product (\$ thousands)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Light oil	7,292	4,670	11,962
Natural gas liquids	685	598	1,283
Natural gas	370	321	691
Total petroleum and natural gas sales	8,347	5,589	13,936

Commodity Prices

Lotus Creek’s realized pricing for the three and six months ended June 30, 2025 was \$56.38 and \$58.59 per boe compared to \$62.27 per boe for the previous quarter and relates to the Operating Period. The decrease in realized pricing from the prior period was mainly due to the decrease in West Texas Intermediate (“WTI”) pricing, partially offset by the narrowing of the Mixed Sweet Blend (“MSW”) and Light Sour Blend (“LSB”) differentials.

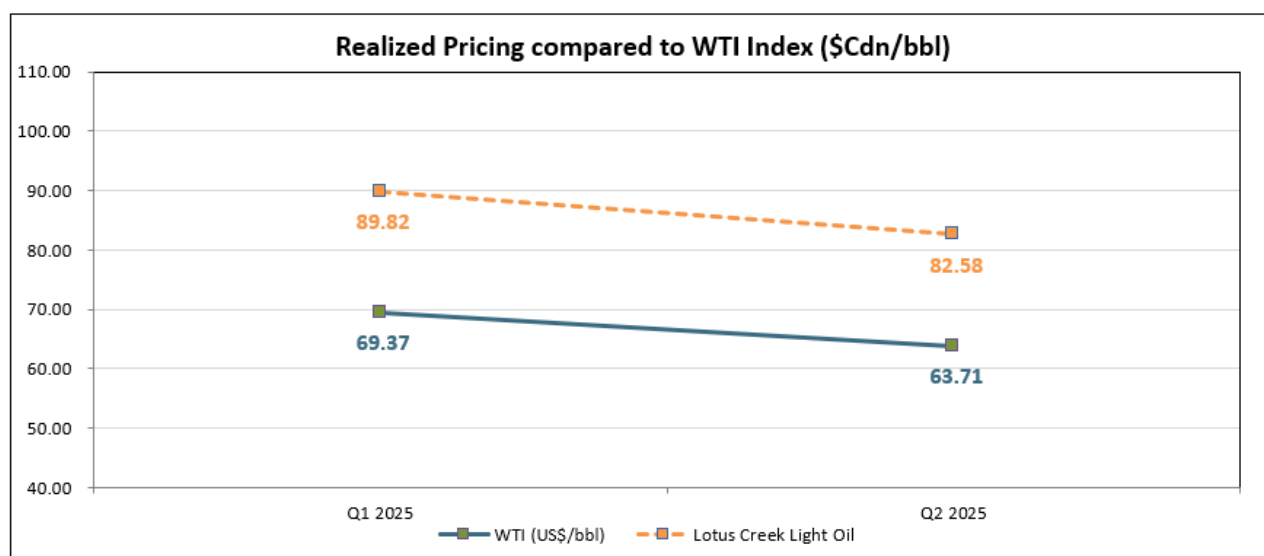
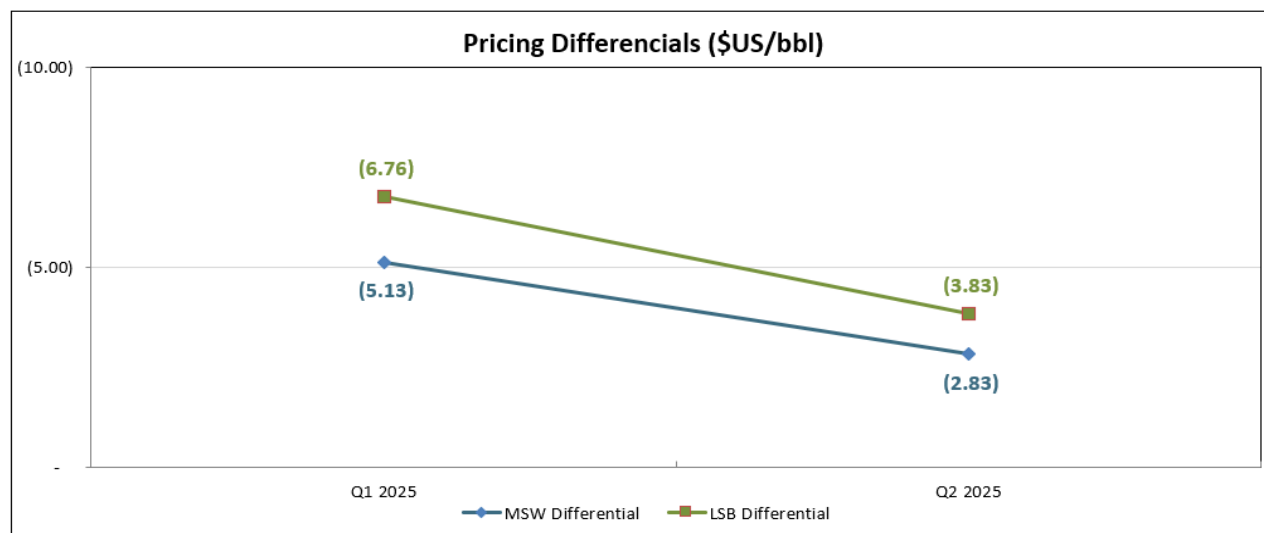


Table 5

Average benchmark prices	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
WTI oil (US\$/bbl) ⁽¹⁾	63.71	69.37	65.84
MSW (Cdn\$/bbl) ⁽²⁾	84.26	92.07	87.14
LSB (Cdn\$/bbl) ⁽³⁾	82.88	89.75	85.41
AECO natural gas (\$/mcf) ⁽⁴⁾	1.68	2.32	1.92
US\$ / Cdn\$ exchange rate	0.72	0.70	0.71

Lotus Creek realized prices

Light oil (\$/bbl)	82.58	89.82	85.26
Natural gas liquids (\$/bbl)	30.92	43.21	35.65
Natural gas (\$/mcf)	1.64	2.23	1.87
Realized price (\$/boe)	56.38	62.27	58.59

(1) WTI represents the posting price of West Texas Intermediate oil.

(2) MSW represents the Mixed Sweet Blend oil index for Lotus Creek's Alberta light oil.

(3) LSB represents the Light Sour Blend oil index for Lotus Creek's Southeast Saskatchewan light oil.

(4) Represents the AECO 5a monthly index.

Royalties

For the three and six months ended June 30, 2025, royalties as a percentage of commodity sales was 13.8 and 14.1 per cent compared to 14.6 per cent for the previous quarter. Royalties relate to the Operating Period. The decrease in royalties as a percentage of commodity sales from the prior quarter is the result of the decrease in commodity prices which have led to lower crown royalty rates that fluctuate depending on price levels. There were no royalties incurred prior to closing of the Arrangement.

Table 6

Royalty expense (\$ thousands except % and per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Royalty expense	1,151	814	1,965
Royalty expense as a % of sales	13.8	14.6	14.1
Royalty expense per boe	7.77	9.07	8.26

Operating and Transportation Expenses

Operating expenses for the three and six months ended June 30, 2025 were \$23.15 and \$23.44 per boe compared to \$23.92 per boe for the previous quarter and relate to the Operating Period. The decrease in operating expenses from the prior quarter is mainly due to decreased well servicing in the second quarter. There were no operating expenses incurred prior closing of to the Arrangement.

Transportation expenses for the three and six months ended June 30, 2025 were \$1.68 and \$1.75 per boe compared to \$1.87 per boe for the previous quarter and relate to the Operating Period. Transportation expenses consist of the cost to transport clean oil and may fluctuate depending on proximity to sales points. Currently, most of Lotus Creek's volumes are delivered to nearby sales points. There were no transportation expenses incurred prior to the Arrangement.

Table 7 below summarizes the operating and transportation expenses:

Table 7

Operating and Transportation expenses (\$ thousands except per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Operating expenses	3,428	2,147	5,575
Transportation expenses	248	168	416
Operating and transportation expenses	3,676	2,315	5,991
Operating expenses per boe	23.15	23.92	23.44
Transportation expenses per boe	1.68	1.87	1.75
Operating and transportation expenses per boe	24.83	25.79	25.19

Operating Netbacks

Lotus Creek's operating netback for the three and six months ended June 30, 2025 was \$23.78 and \$25.14 per boe compared to \$27.41 per boe for the previous quarter and relates to the Operating Period. The decrease in operating netback from the prior quarter is due to decreased realized prices, partially offset by lower royalties and operating and transportation expenses.

The components of operating netbacks are summarized in Table 8:

Table 8

Operating netback (\$ per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Sales	56.38	62.27	58.59
Royalties	(7.77)	(9.07)	(8.26)
Operating expenses	(23.15)	(23.92)	(23.44)
Transportation expenses	(1.68)	(1.87)	(1.75)
Operating netback ⁽¹⁾	23.78	27.41	25.14

(1) Operating netback is a non-GAAP ratio and is described under the heading "Non-GAAP and Other Financial Measures" below. Operating netback does not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other entities.

G&A Expenses, Transaction Costs, and Share-Based Compensation ("SBC")

G&A expenses for the three and six months ended June 30, 2025 totaled \$1.4 million and \$2.2 million compared to \$0.8 million for the previous quarter. Personnel, computer and office costs were higher in the second quarter compared to the prior quarter, mainly as a result of the Operating Period starting February 5, 2025. For the three and six months ended June 30, 2025, Lotus Creek capitalized \$0.3 million and \$0.4 million of G&A compared to \$0.2 million during the previous quarter. For the three and six months ended June 30, 2025, G&A on a per boe basis was \$9.47 and \$9.38 per boe compared to \$9.24 per boe for the previous quarter.

In conjunction with the Arrangement, during the three and six months ended June 30, 2025, Lotus Creek incurred \$0.1 and \$0.7 million of transaction costs compared to \$0.6 million during the previous quarter. These transaction costs include amounts relating to legal fees and other related acquisition costs. During the three and six months ended June 30, 2025, transaction costs on a per boe basis were \$0.64 and \$3.12 per boe compared to \$7.21 per boe for the previous quarter.

SBC is related to the granting of stock options ("Options"). During the six months ended June 30, 2025, there were 2.5 million Options granted at an average exercise price of \$1.34 and \$28 thousand Options forfeited at an average exercise price of \$1.34. As at June 30, 2025 a total of 2.5 million Options with a weighted average exercise price of \$1.34 per share were outstanding, representing approximately 6.2 per cent of the 40.0 million total Common Shares outstanding. Each Option entitles the holder to acquire one Lotus Creek Common Share. There were no Options outstanding as at December 31, 2024. For further information on Lotus Creek's Options, see the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Table 9 is a breakdown of G&A, transaction costs and SBC expense:

Table 9

G&A and SBC expense (\$ thousands except per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
G&A, before recoveries and capitalized G&A	1,687	1,022	2,709
Overhead recoveries	(17)	(13)	(30)
Capitalized G&A	(268)	(180)	(448)
G&A	1,402	829	2,231
Transaction costs	95	647	742
SBC expense	36	10	46
G&A per boe	9.47	9.24	9.38
Transaction costs per boe	0.64	7.21	3.12
SBC expense per boe	0.24	0.11	0.19

Interest and Financing Charges and Interest Income

On close of the Arrangement, Lotus Creek established the Credit Facilities (as defined herein). During the three and six months ended June 30, 2025, Lotus Creek incurred financing charges and standby fees totaling \$0.1 million and \$0.2 million compared to \$0.1 million for the previous quarter. The increase in interest and financing charges from the prior period was the result of the Credit Facilities being established February 5, 2025. Lotus Creek's interest rate on its Credit Facilities (as defined herein) is dependent on its facilities borrowings, inclusive of working capital, in comparison to its earnings before interest, taxes, depletion, depreciation, amortization, and accretion ("Senior Debt to EBITDA Ratio") on a rolling six-month period. During the first half of 2025, Lotus Creek did not draw down on its Credit Facilities.

Table 10 is a breakdown of interest and financing charges and interest income:

Table 10

Interest and financing charges and interest income (\$ thousands except per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Interest expense	-	-	-
Financing charges	62	34	96
Standby fees	87	48	135
Interest and financing charges	149	82	231
Interest and financing charges per boe	1.01	0.91	0.97
Interest income	80	70	150
Interest income per boe	0.54	0.78	0.63

Risk Management Contracts

Lotus Creek has a mandate to protect its balance sheet and capital program for the current and upcoming year by reducing fluctuations in both its funds from operations and assigned borrowing base on its Credit Facilities. To do this, Lotus Creek may plan to use a variety of derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Lotus Creek has not designated any risk management contracts as effective hedges and thus has not applied hedge accounting. Management continues to evaluate its risk and the management thereof and will continue to monitor the commodities market for future risk management contracts.

For the three and six months ended June 30, 2025, Lotus Creek did not realize any gain or losses on risk management contracts. The fair value of all outstanding contracts at June 30, 2025 was an asset of \$0.2 million. There were no risk management contracts in place as at December 31, 2024.

Table 11 summarizes Gear's financial risk management contracts as at June 30, 2025:

Table 11

Financial WTI crude oil contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap \$/bbl
Jul 1, 2025	Dec 31, 2025	Swap	CAD	200	91.50

Subsequent to June 30, 2025, Lotus Creek entered into the following risk management contracts:

Financial WTI crude oil contracts

Term		Contract	Currency	Volume bbl/d	Sold Swap \$/bbl
Aug 1, 2025	Jan 31, 2026	Swap	CAD	100	87.50

Depletion, Depreciation and Amortization Expense ("DD&A")

DD&A during the three and six months ended June 30, 2025 was \$14.16 and \$14.41 per boe compared to \$14.82 per boe for the previous quarter and relates to the Operating Period. The decrease in DD&A rate from the prior quarter is mainly due to capital expenditures and decreased future development cost estimates over Lotus Creek's reserves base. There was no DD&A prior to closing of the Arrangement

Management has determined that Lotus Creek's asset base represents two Cash-Generating Units ("CGUs"). The first CGU is comprised predominantly of Lotus Creek's light oil properties located in Western Alberta and the second is comprised of light oil properties located in Southeast Saskatchewan. The properties contained within each CGU are in close proximity to each other, with similar cost structures and marketing arrangements. As at June 30, 2025 and December 31, 2024, no indicators of impairment were identified related to Lotus Creek's CGUs. As a result of this assessment, impairment tests were not performed.

Table 12 is a breakdown of DD&A expenses and impairment:

Table 12

DD&A rate (\$ thousands except per boe)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
DD&A	2,097	1,330	3,427
Total DD&A rate per boe	14.16	14.82	14.41

Taxes

Deferred income tax assets on the balance sheet are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable based on current tax pools and estimated future taxable income. As at June 30, 2025 no deferred income tax asset was recognized and \$0.5 million remains unrecognized, as Management did not find it probable that the benefit will be realized. As at December 31, 2024, Management did not recognize a deferred income tax asset. Included in this tax basis are estimated non-capital loss carry forwards that expire in the year 2045. No cash income taxes were paid from inception on August 21, 2024 to December 31, 2024 and in the first half of 2025. At June 30, 2025, Lotus Creek's estimated tax pools were consistent with the pools at March 31, 2025 of \$69.4 million.

Capital Expenditures and Acquisitions

Capital expenditures for the three and six months ended June 30, 2025 were \$3.4 million and \$13.0 million, which consisted of \$1.3 million and \$10.6 million in E&E expenditures and \$2.1 million and \$2.4 million in PP&E expenditures, respectively. In the previous quarter, capital expenditures were \$9.6 million which consisted of \$9.3 million in E&E expenditures and \$0.3 million in PP&E expenditures.

Drilling and completions costs decreased in the second quarter of 2025 compared to the prior quarter. No new wells were drilled in the second quarter of 2025. Year to date, Lotus Creek acquired two gross (two net) heavy oil E&E wells in Tucker Lake as per the Arrangement and drilled one gross (one net) heavy oil Tucker Lake E&E well. The wells were completed by Lotus Creek following closing of the Arrangement. Lotus Creek is awaiting the facility license and anticipates approval during the third quarter of 2025. Once the facility license is approved, operations will commence in Tucker Lake.

During the second quarter of 2025, Lotus Creek also spent \$0.4 million in seismic in Central Alberta and \$2.2 million in production equipment and facilities. Lotus Creek commenced construction of a new oil battery with an approximate capacity of 5,000 boe per day in Wilson Creek. Year to date, Lotus Creek has invested \$2.7 million in production equipment and facilities, \$7.0 million in seismic and \$0.3 million in undeveloped lands.

On February 5, 2025, the Lotus Creek Assets were acquired pursuant to the Arrangement, with \$6.2 million in E&E and \$52.2 million in PP&E, net of decommissioning liabilities on date of acquisition. Pursuant to the Arrangement, Lotus Creek incurred \$0.2 million to settle the final statement of adjustments during the second quarter of 2025.

Subsequent to June 30, 2025, Lotus Creek drilled two gross (two net) light oil Belly River wells in Wilson Creek. The wells are expected to be completed and on production by the end of the third quarter.

A breakdown of capital expenditures is shown in Table 13:

Table 13

Capital expenditures (\$ thousands)	Three months ended						Six months ended		
	Jun 30, 2025			Mar 31, 2025			Jun 30, 2025		
	E&E	PP&E	Total	E&E	PP&E	Total	E&E	PP&E	Total
Drilling and completions	433	272	705	1,954	256	2,210	2,387	528	2,915
Facilities ⁽¹⁾	519	1,641	2,160	527	38	565	1,046	1,679	2,725
Seismic and G&G ⁽²⁾	368	59	427	6,569	-	6,569	6,937	59	6,996
Undeveloped land	-	78	78	242	-	242	242	78	320
Other	-	32	32	-	-	-	-	32	32
Total capital expenditures	1,320	2,082	3,402	9,292	294	9,586	10,612	2,376	12,988
Total net acquisitions	-	196	196	6,228	52,207	58,435	6,228	52,403	58,631
Total capital and net acquisitions	1,320	2,278	3,598	15,520	52,501	68,021	16,840	54,779	71,619

(1) Facilities include production equipment and facilities.

(2) Seismic and G&G includes seismic and geological and geophysical studies.

The following summarizes the purchase price allocation for the Arrangement:

Net Assets Acquired (\$ thousands)	Amount
Working capital	21,369
Exploration and evaluation	6,228
Property, plant and equipment	64,146
Decommissioning liability	(11,743)
Total net assets acquired	80,000
Consideration (\$ thousands)	Amount
Common Shares (40.0 million Common Shares ⁽¹⁾ at \$2.00 per share)	80,000
Total purchase price	80,000

(1) 39,999,999 Common Shares were issued pursuant to the Arrangement.

Decommissioning Liability

At June 30, 2025, Lotus Creek recorded a decommissioning liability of \$21.3 million. Prior to the acquisition of the Lotus Creek Assets pursuant to the Arrangement, Lotus Creek did not have any decommissioning liability. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors used to calculate the undiscounted total future liability. The liability has been inflated at 2.00 per cent and discounted using a risk free rate of 3.56 per cent. Abandonment cost estimates are derived from management assumptions and published Alberta Energy Regulator ("AER") estimates. Decommissioning liabilities settled by Lotus Creek in the first half of 2025 was \$0.1 million. As a result of the Arrangement, Lotus Creek is currently awaiting the transfer of title by the AER as well as confirmation of Lotus Creek's annual decommissioning expenditure requirement. Lotus Creek does not anticipate any issues on the transfer of title and anticipates completion of the title transfer in the third quarter of 2025.

Capitalization, Financial Resources and Liquidity

Lotus Creek has a net surplus of \$10.5 million as at June 30, 2025 mainly as a result of \$17.7 million in cash and \$0.3 million in restricted cash received on the Arrangement, partially offset by capital investment made during the six months ended June 30, 2025. During the first half of 2025, Lotus Creek did not draw on its Credit Facilities (as defined herein).

After examining the economic factors that could cause liquidity risk, the Company believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. There can be no assurance that future borrowing base reviews will not result in a material reduction in the borrowing base, and that the necessary funds will be available to meet its obligations as they become due.

Net debt to quarterly annualized funds from operations at December 31, 2024 is not applicable as actual operations of Lotus Creek did not commence commercial operations until February 5, 2025.

A breakdown of Lotus Creek's capital structure is outlined in Table 14:

Table 14

Debt (\$ thousands except ratio amounts)	Jun 30, 2025	Dec 31, 2024
Net surplus (debt) ⁽¹⁾	10,478	(759)
Net debt to quarterly annualized funds from operations ⁽¹⁾	NA	NA
Common Shares outstanding	40,000	-

(1) Net surplus (debt) and net debt to quarterly annualized funds from operations are non-GAAP and other financial measures and are reconciled to the nearest GAAP measure, where applicable, under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.

Credit Facilities

On close of the Arrangement on February 5, 2025, Lotus Creek established its credit facilities (collectively, the "Credit Facilities") with ATB Financial. On June 13, 2025, the Credit Facilities were amended with the split between the revolving term facility and operating facility as follows:

Table 15

Facility (\$ millions)	Borrowing base		Maturity Date
	Jun 30, 2025	Dec 31, 2024	
Revolving term facility	25.0	-	May 31, 2027
Operating facility	10.0	-	May 31, 2027
Total	35.0	-	

The Credit Facility provides Lotus Creek with access to additional liquidity and is currently undrawn at June 30, 2025. As at June 30, 2025 Lotus Creek had outstanding letters of credit of \$5.5 million (December 31, 2024 - \$nil). The Credit Facilities do not carry any financial covenants.

The total stamping fees on the operating facility and revolving facility depend on Lotus Creek's Senior Debt to EBITDA Ratio, and range between 250 bps to 400 bps on Canadian bank prime borrowings and between 350 bps and 500 bps on US dollar denominated SOFR loans and Canadian dollar CORRA. The undrawn portion of the Credit Facilities is subject to a standby fee in the range of 87.5 bps to 125 bps.

Lotus Creek's Credit Facilities are periodically reviewed by its lenders through scheduled borrowing base reviews at which time the borrowing base of such facilities can be adjusted. The next borrowing base review is expected to be completed on or about November 30, 2025.

Shareholders' Equity

As at June 30, 2025 and the date of this MD&A, Lotus Creek had 40.0 million Common Shares outstanding which were issued on February 5, 2025 as part of the Arrangement at \$2.00 per share. At December 31, 2024, one (1) Common Share was outstanding.

The Common Shares are listed on the TSXV and commenced trading on February 11, 2025, under the symbol "LTC".

Table 16 shows Lotus Creek's trading statistics:

Table 16

Trading statistics (\$ based on intra-day trading)	Three months ended Jun 30, 2025	For the period from Feb 11, 2025 to Jun 30, 2025
High	1.15	1.70
Low	0.78	0.78
Close	1.01	1.01
Average daily volume (thousands)	78	108

As at June 30, 2025 and the date of this MD&A, a total of 2.5 million Options were outstanding with a weighted average exercise price of \$1.34 per share. Each option entitles the holder to acquire one Common Share.

Contractual Obligations and Commitments

Lotus Creek has contractual obligations in the normal course of operations including purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Lotus Creek's funds from operations in an ongoing manner. Lotus Creek also has contractual obligations and commitments that are of a less routine nature as disclosed in its unaudited Interim Condensed Consolidated Financial Statements.

In addition to the Credit Facilities, as at June 30, 2025, Lotus Creek's contractual commitments include its lease agreements for its head office and field office. Lease agreements for Lotus Creek's head and field offices are effective until March 31, 2027. The remaining commitment for these lease agreements is \$0.6 million. For further information see Note 16 "Commitments and Contingencies" in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Lotus Creek is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material impact on Lotus Creek's financial position or results of operations.

Related Party Transactions

During the period from date of incorporation to February 5, 2025, Lotus Creek's former parent company incurred costs on behalf of Lotus Creek. The following is a summary of these costs:

- Incurred G&A expenses of \$13 thousand; and
- Incurred capital expenditures of \$1.5 million

These amounts were settled as per the final statement of adjustments with the counterparty of the Arrangement and as at June 30, 2025, \$nil was owing to this related party in relation to the Arrangement. As at December 31, 2024, there was \$0.8 million net accounts payable to this related party. Upon closing of the Arrangement on February 5, 2025, Lotus Creek is a standalone legal entity and Lotus Creek's former parent company is no longer a related party of Lotus Creek.

For the six months ended June 30, 2025, other than payments to key management personnel of \$0.4 million, there are no other related parties. For further information see Note 17 "Related Party Transactions" in the notes to the unaudited Interim Condensed Consolidated Financial Statements.

Non-GAAP and Other Financial Measures

Lotus Creek uses certain non-GAAP and other financial measures to analyze financial and operating performance. These specified financial measures include non-GAAP financial measures, non-GAAP ratios, total of segments measures, 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 three and six months ended June 30, 2025 and the period from incorporation on August 21, 2024 to December 31, 2024, where applicable, are provided below.

Adjusted funds from operations

Adjusted funds from operations is a non-GAAP financial measure defined as cash flows from (used in) 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.

Table 17 below reconciles cash flows from (used in) operating activities to adjusted funds from operations:

Table 17

(\$ thousands)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Cash flows from (used in) operating activities	1,069	(443)	626
Decommissioning liabilities settled	70	-	70
Change in non-cash operating working capital	815	1,415	2,230
Add back: transaction costs	95	647	742
Adjusted funds from operations	2,049	1,619	3,668

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.

Adjusted funds from operations per weighted average diluted share

Adjusted funds from operations per weighted average diluted 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 diluted 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 diluted 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 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.

Table 18 below reconciles debt to net surplus (debt):

Table 18

Capital structure and liquidity (\$ thousands)	Jun 30, 2025	Dec 31, 2024
Debt	-	-
Working capital surplus (deficit) ⁽¹⁾	10,478	(759)
Net surplus (debt)	10,478	(759)

(1) Current assets less current liabilities, excluding risk management contracts and decommissioning liabilities.

At June 30, 2025, Lotus Creek had a working capital surplus. When in a deficit position, the Company is able to meet obligations as they come due by drawing on the Credit Facilities. Lotus Creek actively manages its liquidity through strategies such as continuously monitoring forecasted and actual cash flows (used in) from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional equity.

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 (used in) 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.

Debt adjusted shares

Debt adjusted shares is a non-GAAP financial measure calculated as the weighted average shares minus the share equivalent when Lotus Creek has an average net surplus position, or plus the share equivalent when Lotus Creek has an average net debt position, as defined and reconciled to debt above, over the period. This assumes that net surplus is used to repurchase shares or net debt is extinguished with an issuance based on a certain share price; however, it should be noted that Lotus Creek's bank debt is not convertible into shares. The calculation of debt adjusted shares assumes that Lotus Creek issues Common Shares for cash proceeds and such proceeds are used to repay the amounts outstanding under the Company's bank debt, or Lotus Creek has the ability to repurchase Common Shares when in a net surplus position. Lotus Creek has used the ten-day volume weighted average share price ending at the end of the period as this share price better captures the actual price that could be theoretically used in the event that Common Shares are hypothetically issued to extinguish outstanding debt or the price that the Company repurchases Common Shares at. Lotus Creek considers debt adjusted shares a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers.

Table 19 below reconciles weighted average basic shares to debt adjusted shares.

Table 19

(thousands, except per share amounts)	Three months ended		Six months ended
	Jun 30, 2025	Mar 31, 2025	Jun 30, 2025
Weighted average basic shares	40,000	24,444	32,265
Average share price ⁽¹⁾	0.99	1.41	0.99
Average net surplus (debt) ⁽²⁾	11,335	5,717	4,860
Share equivalent on average net surplus (debt) ⁽³⁾	(11,449)	(4,055)	(4,909)
Debt adjusted shares	28,551	20,389	27,356

(1) Average share price obtained by a ten-day volume weighted average price on the TSXV ending at the end of the period.

(2) Average net surplus (debt) obtained by a simple average between opening and ending net surplus (debt) for the periods ended.

(3) Share equivalent on average net surplus (debt) obtained by average net surplus (debt) divided by average share price.

Adjusted funds from operations per debt adjusted share

Adjusted funds from operations per debt adjusted 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 debt adjusted shares, as defined and reconciled to weighted average basic shares above. Lotus Creek considers the non-GAAP ratio adjusted funds from operations per debt adjusted share a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to generate the adjusted funds from operations necessary to fund its capital program, settle decommissioning liabilities and repay debt.

Cash flows (used in) from operating activities per debt adjusted share

Cash flows (used in) from operating activities per debt adjusted share is a non-GAAP ratio calculated as cash flows (used in) from operating activities, as determined in accordance with IFRS, divided by debt adjusted shares, as defined and reconciled to weighted average basic shares above. Lotus Creek considers the non-GAAP ratio cash flows (used in) from operating activities per debt adjusted share a useful measure for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate its ability to generate the cash flows (used in) from operating activities necessary to fund its capital program and repay debt.

Production, boepd per debt adjusted thousand shares

Production, boepd per debt adjusted thousand shares is a non-GAAP ratio calculated as production, boepd, divided by debt adjusted thousand shares, as defined and reconciled to weighted average basic shares above. Lotus Creek considers production, boepd per debt adjusted thousand shares a useful non-GAAP ratio for management and investors as it enables oil and gas companies to be put on an equal, enterprise value-based footing when calculating per share numbers to demonstrate the Company's ability to produce oil and gas.

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 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.

Critical Accounting Estimates

Lotus Creek's financial and operating results incorporate certain estimates including:

- Estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been determined;
- Estimated capital expenditures on projects that are in progress;
- Estimated DD&A charges that are based on estimates of oil and gas reserves that Lotus Creek expects to recover in the future;
- Estimated future recoverable value of E&E and PP&E and any associated impairment charges or recoveries including those associated with the highly uncertain timing and impact of global energy markets transition from carbon-based sources to alternative energy;
- Estimated decommissioning liabilities that are dependent upon estimates of future costs and timing of expenditures;
- Estimated future utilization of tax pools; and
- Estimated employee share-based compensation costs.

Lotus Creek has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the financial statements refer to Note 4 "Management Judgments and Estimation Uncertainty" in the unaudited Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2025.

Forward-looking Information and Statements

This MD&A 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 MD&A contains forward-looking information and statements pertaining to the following: Lotus Creek's business plans and strategies; expectations relating to the addition of important production adds in the month of September; Lotus Creek's expectations that the Tucker Lake and Belly River wells will have a meaningful impact to the 2025 annual metrics; the Company's plans to update shareholders in the second half of 2025; the anticipated timing for receiving approval for the Tucker Lake multi-well battery facility license and commencement of operations; Lotus Creek's Belly River drilling program and the expected timing and benefits thereof; the intent of Lotus Creek to continue to monitor the commodities market for future risk management contracts; the anticipated timing of the transfer of title by the AER and completion of the transfer; the Company's belief that it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months; the anticipated timing of Lotus Creek's next borrowing base review; and expectations that pending litigation will not have a material impact on Lotus Creek or its operations; Lotus Creek's 2025 guidance, including with respect to annual 2025 average production, Q4 2025 average production, commodity weighting of forecast production, royalty rates, operating and transportation costs, G&A expenses, interest and financing charges and capital and abandonment expenditures;

The forward-looking information and statements contained in this report 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 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, including in respect of the multi-well battery facility license at Tucker Lake; the general continuance of current industry 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.

The forward-looking information and statements included in this MD&A 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, including in respect of the multi-well battery facility license at Tucker Lake; the impact of the Russian-Ukraine war and the conflicts in the Middle East 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; 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.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Lotus Creek's prospective results of operations including, without limitation, production, operating and transportation costs, G&A expenses, interest and financing charges, and capital and abandonment expenditures, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers 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 FOFI. Lotus Creek's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Lotus Creek will derive therefrom. Lotus Creek has included the FOFI in order to provide readers with a more complete perspective on Lotus Creek's future operations and such information may not be appropriate for other purposes.

The forward-looking information and FOFI contained in this report are made as of the date of this report, 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.

Production and Product Type Information

References to crude oil (or oil), NGLs, natural gas and average daily production in this document refer to the light crude oil, conventional natural gas, and NGLs product types, as applicable, as defined in National Instrument 51-101 ("NI 51-101").

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.

QUARTERLY HISTORICAL REVIEW

	2025		2024
(Cdn\$ thousands, except per share, share, and per boe amounts)	Q2	Q1 ⁽²⁾	Q4
FINANCIAL			
Petroleum and natural gas sales	8,347	5,589	-
Adjusted funds from operations ⁽¹⁾	2,049	1,619	(13)
Per weighted average basic share	0.05	0.07	-
Per weighted average diluted share	0.05	0.07	-
Cash flows from (used in) operating activities	1,069	(443)	-
Per weighted average basic share	0.03	(0.02)	-
Per weighted average diluted share	0.03	(0.02)	-
Net loss	(115)	(489)	(13)
Per weighted average basic share	-	(0.02)	-
Per weighted average diluted share	-	(0.02)	-
Exploration and evaluation expenditures	1,320	9,292	746
Property, plant and equipment expenditures	2,082	294	-
Net acquisitions ⁽³⁾	196	58,435	-
Decommissioning liabilities settled	70	-	-
Net surplus (debt) ⁽¹⁾	10,478	12,192	(759)
Weighted average shares outstanding, basic (thousands)	40,000	24,444	-
Weighted average shares outstanding, diluted (thousands)	40,000	24,444	-
Shares outstanding, end of period (thousands)	40,000	40,000	-
OPERATING			
Production			
Light oil (bbl/d)	970	945	-
Natural gas liquids (bbl/d)	243	252	-
Natural gas (mcf/d)	2,481	2,609	-
Total (boe/d)	1,627	1,632	-
Average prices			
Light oil (\$/bbl)	82.58	89.82	-
Natural gas liquids (\$/bbl)	30.92	43.21	-
Natural gas (\$/mcf)	1.64	2.23	-
Selected financial results (\$/boe)			
Petroleum and natural gas sales	56.38	62.27	-
Royalties	(7.77)	(9.07)	-
Operating costs	(23.15)	(23.92)	-
Transportation costs	(1.68)	(1.87)	-
Operating netback ⁽¹⁾	23.78	27.41	-
General and administrative	(9.47)	(9.24)	-
Interest income	0.54	0.78	-
Interest and financing charges	(1.01)	(0.91)	-
(1) Adjusted funds from operations, net surplus (debt) and operating netback are non-GAAP and other financial measures and additional information with respect to these measures can be found under the heading "Non-GAAP and Other Financial Measures". Such measures do not have any standardized meanings under GAAP and therefore may not be comparable to similar measures presented by other entities.			
(2) The commercial operations of Lotus Creek for the first quarter of 2025 are between February 5, 2025 and March 31, 2025.			
(3) Net of decommissioning liabilities on date of acquisition.			

Lotus Creek had no material operations prior to the completion of the Arrangement on February 5, 2025 and as a result the quarter to quarter comparisons prior to February 5, 2025 as presented herein are not reflective of the Company's anticipated future operations and results.

After completion of the Arrangement on February 5, 2025, quarter over quarter fluctuations in revenue are the result of both the amount of oil volumes sent to sale as well as Lotus Creek's received price. Volume fluctuations are the result of well productivity and timing of deliveries to the sales point. The amount of volumes delivered to sale can be influenced by a variety of factors some of which include weather, truck and rail car availability, as well as pipeline apportionments. Lotus Creek's received price is based on WTI less the MSW and LSB oil differentials and is further impacted by the quality differential on its specific grade of oil. Net income (loss) is further impacted by royalty and operating expenses. Royalty expenses are directly linked to the price received by Lotus Creek and, on crown lands, the productivity of each producing well. Lotus Creek's royalty profile changes based on Lotus Creek's drilling program and on the results of its existing producing wells. Operating costs are heavily impacted by weather as well as the productivity of each well. Operating costs are typically higher in the winter months due to increased maintenance and energy costs.

CORPORATE INFORMATION

DIRECTORS

Scott Robinson
Chairman
Calgary, Alberta

Bindu Wyma
Independent Businesswoman
Calgary, Alberta

Kevin Johnson
President & CEO, Lotus Creek Exploration Inc.
Calgary, Alberta

Don Gray
Independent Businessman
Phoenix, Arizona

Kathy Turgeon
Independent Businesswoman
Calgary, Alberta

Greg Bay
Founding Partner, Cypress Capital Management
Vancouver, British Columbia

Wilson Wang
Managing Partner, Twin Peaks Capital LLC
Honolulu, Hawaii

OFFICERS

Kevin Johnson
President & CEO

Mitchell Harris
Vice-President, Finance & CFO

Jason Kaluski
Vice-President, Operations

Steve Power
Vice-President, Exploration

Ted Brown
Corporate Secretary

Head Office

Lotus Creek Exploration Inc.
900, 520 – 5th Avenue SW
Calgary, Alberta T2P 3R7

Auditors

Deloitte LLP
700, 850 2nd Street SW
Calgary, Alberta T2P 0R8

Bankers

ATB Financial
600, 585 – 8th Avenue SW
Calgary, Alberta T2P 1G1

Engineering Consultants

Sproule Associates Limited
Suite 900, 140 4th Avenue SW
Calgary, Alberta T2P 3N3

Legal Counsel

Burnet Duckworth & Palmer LLP
2400, 525 – 8th Avenue SW
Calgary, Alberta T2P 1G1

Transfer Agent

Odyssey Trust Company
1230 – 300 5th Avenue SW
Calgary, Alberta T2P 3C4

Contact Information:

Kevin Johnson	Mitchell Harris
President & CEO	VP Finance & CFO
403-538-8463	403-444-1465

Email: info@lotuscreek.ca
Website: www.lotuscreek.ca