UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 30, 2025

Vitesse Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-41546	88-3617511
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS. Employer Identification No.)

5619 DTC Parkway, Suite 700 **Greenwood Village, Colorado**	**80111**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (720) 361-2500

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2, below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	VTS	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Item 8.01 Other Events

On March 11, 2025, Vitesse Energy, Inc. (the “Company”or “Vitesse”) filed a Current Report on Form 8-K announcing the closing on March 7, 2025 of its previously announced transaction with Lucero Energy Corp., a corporation existing under the laws of the Province of Alberta, Canada (“Lucero”), whereby Vitesse acquired all of the issued and outstanding Lucero common shares and Lucero became a wholly-owned subsidiary of Vitesse.

This Current Report on Form 8-K is being filed to provide the following audited financial statements and unaudited pro forma financial information attached as Exhibits 99.1 and 99.2, respectively:

- Audited financial statements of Lucero Energy Corp. as of December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022; and
- Unaudited Pro Forma Condensed Combined Financial Statements as of and for the year ended December 31, 2024.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
23.1	Consent of KPMG LLP relating to Lucero Energy Corp.
99.1	Lucero Energy Corp. Audited Consolidated Financial Statements as of December 31, 2024 and 2023 and for the year ended December 31, 2024, 2023 and 2022.
99.2	Unaudited Pro Forma Condensed Combined Financial Statements as of and for the year ended December 31, 2024
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 30, 2025	VITESSE ENERGY, INC.
	/s/ James P. Henderson
	James P. Henderson
	Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

The Board of Directors
Vitesse Energy, Inc.

We consent to the use of our report dated March 21, 2025 on the consolidated financial statements of Lucero Energy Corp. (the “Entity”) which comprise the statement of financial position as at December 31, 2024, the related consolidated statements of operations and comprehensive income, changes in shareholders’ equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively the “consolidated financial statements”) which is included in the Current Report on Form 8-K of Vitesse Energy, Inc. dated April 30

We also consent to the incorporation by reference of such report in the Registration Statements No. 333-269202 on Form S-8 and No. 333-276821 on Form S-3 of Vitesse Energy, Inc.

/s/ KPMG LLP
Chartered Professional Accountants

April 30, 2025
Calgary, Canada

Lucero

ENERGY CORP.

Financial Statements

As at December 31, 2024 and 2023

and for the years ended

December 31, 2024, 2023 and 2022

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vitesse Energy, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lucero Energy Corp. and its subsidiary (the Company), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are authorized for issuance.

KPMG

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 21, 2025

LUCERO ENERGY CORP.

Consolidated Statements of Financial Position
(in $000's of Canadian dollars)

	Note	As at December 31, 2024	As at December 31, 2023
Assets			
Cash and cash equivalents		**$87,236**	$88,765
Accounts receivable	6	**13,154**	16,814
Deferred Proceeds pursuant to the Disposition	8	**-**	6,613
Prepaid expenses and deposits		**953**	1,650
Total current assets		**101,343**	113,842
Restricted cash		**230**	212
Right of use assets	7	**854**	798
Property, plant and equipment	8	**331,239**	477,531
Total non-current assets		**332,323**	478,541
Total assets		**$433,666**	$592,383
Liabilities			
Accounts payable and accrued liabilities		**$36,893**	$31,251
Financial derivative liability	17	**563**	-
Lease liability	7	**793**	348
Total current liabilities		**38,249**	31,599
Lease liability	7	**254**	602
Decommissioning obligations	10	**4,628**	4,623
Deferred tax liability	15	**9,280**	52,865
Total non-current liabilities		**14,162**	58,090
Total liabilities		**$52,411**	$89,689
Shareholders' Equity			
Common shares	11	**$402,906**	$410,184
Warrants	11	**2,071**	2,342
Contributed surplus		**18,064**	10,133
Retained earnings (deficit)		**(100,975)**	64,292
Accumulated other comprehensive income		**59,189**	15,743
Total equity		**381,255**	502,694
Total liabilities and equity		**$433,666**	$592,383

Subsequent events (notes 2, 9 & 11)
Key management personnel compensation (note 16)

See accompanying notes to the consolidated financial statements

LUCERO ENERGY CORP.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(in $000's of Canadian dollars, except per share amounts)

	Note	2024	Year ended December 31, 2023	2022
Revenues				
Petroleum and natural gas revenues	12	**$171,340**	$254,201	$342,582
Royalties		**(28,468)**	(42,658)	(63,358)
Petroleum and natural gas revenues, net of royalties		**$142,872**	211,543	279,224
Realized loss on financial derivatives		**-**	-	(45,966)
Unrealized gain (loss) on financial derivatives		**(557)**	-	16,318
Petroleum and natural gas revenues, net of royalties and derivatives		**$142,315**	$211,543	$249,576
Expenses				
Operating		**28,435**	35,594	34,695
Production taxes		**13,282**	19,463	27,715
Transportation		**5,568**	6,382	7,282
General and administrative		**6,654**	7,383	7,254
Transaction related costs		**9,035**	2,454	2,100
Finance	14	**(2,137)**	2,428	7,328
Share-based compensation		**5,284**	6,175	4,178
Depletion and depreciation	7, 8	**53,676**	51,886	48,757
Gain on disposition	8	**-**	(2,999)	-
Impairment	8	**236,000**	-	-
		355,797	128,766	139,309
Income (loss) before income taxes		**(213,482)**	82,777	110,267
Deferred income tax expense (recovery)	15	**(48,215)**	23,505	29,748
Net income (loss)		**($165,267)**	$59,272	$80,519
Currency translation adjustment		**43,446**	(11,845)	28,427
Comprehensive income (loss)		**($121,821)**	$47,427	$108,946
Net income (loss) per common share:				
Basic and diluted	13	**($0.26)**	$0.09	$0.12

See accompanying notes to the consolidated financial statements

LUCERO ENERGY CORP.

Consolidated Statements of Changes in Shareholders' Equity
(in $000's of Canadian dollars)

	Common shares	Warrants	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Shareholders' equity
Balance at December 31, 2021	$366,730	-	$6,596	($75,499)	($839)	$296,988
Settlement of share bonus awards	1,913	-	(3,142)	-	-	(1,229)
Share-based compensation, gross	-	-	6,434	-	-	6,434
Issued pursuant to private placements	52,158	2,342	-	-	-	54,500
Share issue costs	(2,235)	-	-	-	-	(2,235)
Net income	-		-	80,519	-	80,519
Other comprehensive income	-	-	-	-	28,427	28,427
Balance at December 31, 2022	**$418,566**	**$2,342**	**$9,888**	**$5,020**	**$27,588**	**$463,404**
Settlement of share bonus awards	5,141	-	(9,265)	-	-	(4,124)
Share-based compensation, gross	-	-	9,510	-	-	9,510
Repurchase of common shares	(13,523)	-	-	-	-	(13,523)
Net income	-		-	59,272	-	59,272
Other comprehensive loss	-	-	-	-	(11,845)	(11,845)
Balance at December 31, 2023	**$410,184**	**$2,342**	**$10,133**	**$64,292**	**$15,743**	**$502,694**
Settlement of share bonus awards	185	-	(297)	-	-	(112)
Share-based compensation, gross	-	-	8,137	-	-	8,137
Repurchase of common shares	(7,514)	-	-	-	-	(7,514)
Warrant exercise	51	(271)	91	-	-	(129)
Net loss	-		-	(165,267)	-	(165,267)
Other comprehensive income	-	-	-	-	43,446	43,446
Balance at December 31, 2024	**$402,906**	**$2,071**	**$18,064**	**($100,975)**	**$59,189**	**$381,255**

See accompanying notes to the consolidated financial statements

LUCERO ENERGY CORP.

Consolidated Statements of Cash Flows
(in $000's of Canadian dollars)

	Note		Year ended December 31,	
		2024	**2023**	**2022**
Operating activities				
Net income (loss) for the year		**($165,267)**	$59,272	$80,519
Depletion and depreciation	7, 8	**53,676**	51,886	48,757
Impairment	8	**236,000**	-	-
Deferred income tax expense (recovery)	15	**(48,215)**	23,505	29,748
Unrealized loss (gain) on financial derivatives		**557**	-	(16,318)
Share-based compensation		**5,284**	6,175	4,178
Gain on disposition	8	**-**	(2,999)	-
Finance expenses - non-cash	14	**172**	169	174
Finance (income) expenses - cash	14	**(2,309)**	2,259	7,154
Settlement of decommissioning obligations	10	**(1,167)**	(304)	-
Change in non-cash working capital	18	**9,591**	(3,231)	18,358
Cash provided by operating activities		**88,322**	136,732	172,570
Investing activities				
Additions to property, plant and equipment	8	**(91,120)**	(84,082)	(62,981)
Acquisitions	8	**(5,586)**	(6,339)	(8,858)
Proceeds from property disposition	8	**-**	123,725	-
Change in non-cash working capital	18	**5,660**	(12,500)	(7,044)
Cash provided by (used in) investing activities		**(91,046)**	20,804	(78,883)
Financing activities				
Repayment to senior credit facility		**-**	(52,112)	(134,350)
Debt issuance costs		**-**	-	570
Net interest received (paid)		**2,316**	(2,222)	(7,096)
Payment of lease obligations	7	**(587)**	(493)	(547)
Repurchase of common shares	11	**(7,367)**	(13,523)	-
Proceeds from private placements		**-**	-	54,500
Settlement of share awards		**(112)**	(4,124)	(1,229)
Settlement of warrants		**(129)**	-	-
Share issue costs		**-**	-	(2,235)
Change in non-cash working capital	18	**(147)**	-	-
Cash provided by (used in) financing activities		**(6,026)**	(72,474)	(90,387)
Change in cash and cash equivalents		**(8,750)**	85,062	3,300
Effect of foreign exchange rate changes		**7,221**	(455)	518
Cash and cash equivalents, beginning of year		**88,765**	4,158	340
Cash and cash equivalents, end of year		**$87,236**	$88,765	$4,158

See accompanying notes to the consolidated financial statements

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

1. Description of Business

Lucero Energy Corp. ("Lucero" or the "Company") is an independent oil company focused on the acquisition, development, and production of oil-weighted assets in the Bakken and Three Forks formations in the Williston Basin area of North Dakota. The Company's common shares are listed on the TSX Venture Exchange under the "LOU" ticker symbol.

The Company has corporate offices located at Suite 1024, 222 - 3rd Avenue SW, Calgary, Alberta T2P 0B4 and at 303 E. 17th Avenue, Suite 940, Denver, CO 80203.

2. Corporate transaction

On December 16, 2024, Lucero announced that the Company entered into a definitive agreement with Vitesse Energy Inc. ("Vitesse") pursuant to which Vitesse agreed to acquire all of the issued and outstanding common shares of Lucero (the "Corporate Transaction"). Under the terms of the Corporate Transaction, shareholders of Lucero received 0.01239 Vitesse common shares in exchange for each Lucero common share held. The Corporate Transaction was approved by the Board of Directors and shareholders of both Lucero and Vitesse and closed on March 7, 2025.

3. Basis of Presentation

(a) Basis of Measurement and Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. The Company's accounting policies have been applied consistently for all periods presented in these consolidated financial statements.

These consolidated financial statements were authorized for issue on March 21, 2025.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, PetroShale (US), Inc. The Company's accounts reflect the proportionate share of the assets, liabilities, revenues, expenses, and cash flows from the Company's oil and gas activities that are conducted jointly with third parties. In preparing the consolidated financial statements, all intercompany transactions have been eliminated.

(c) Functional and Presentation Currency

The Company's consolidated financial statements are reported in Canadian dollars, which is the Company's presentation currency. Transactions of the Company's US subsidiary are recorded in US dollars, as this is the primary economic environment in which this subsidiary operates. The US subsidiary has a US dollar functional currency. In translating the financial results from US dollars to Canadian dollars, the Company uses the following method: assets and liabilities are translated at the exchange rate in effect as at the date of the consolidated statement of financial position; revenues and expenses are translated at the rate effective at the time of the transaction or the average rate for the period; and changes in shareholders' equity are translated at the rate effective at the time of the transaction. Unrealized gains and losses resulting from the translation to the Canadian dollar presentation currency are included in other comprehensive income.

Transactions of the US subsidiary that are denominated in a currency other than the US dollar are translated to the US dollar using the following method: monetary assets and liabilities are translated at the exchange rate in effect at the date of the consolidated statement of financial position; non-monetary assets and liabilities are translated at the exchange rate on the date such assets or liabilities are assumed; and revenues and expenses are translated at the average rate for the period. Realized gains and losses resulting therefrom are reflected in the consolidated statement of operations as foreign exchange gain or loss.

(continued)

(d) Use of Estimates, Judgments and Assumptions

The timely preparation of the consolidated financial statements in accordance with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates, judgments, and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and on a prospective basis. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the consolidated financial statements. These underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained, and as the Company's operating environment changes, including considerations related to environmental regulations.

Critical judgments that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

Impairment of property, plant and equipment

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of tight oil and shale gas reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of undeveloped land and other relevant assumptions. When the recoverable amount is determined using quoted market prices, there is estimation and judgment with respect to the number of days and timing of the share price used by management in its impairment testing.

(e) Key Sources of Estimation Uncertainty

The Company faces uncertainties related to future environmental laws and climate-related regulations, which could affect the Company's financial position and future earnings. A number of variables and assumptions used to determine the estimated recoverable amounts of the Company's oil and gas assets could be impacted. The unpredictable nature, timing and extent of climate-related initiatives presents various risks and uncertainties, including to management's judgements, estimates and assumptions that affect the application of accounting policies. Material estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

The following are key estimates and assumptions made by management affecting the measurement of balances and transactions in the consolidated financial statements:

Reserve estimates

The Company uses estimated proved and probable oil and gas reserves to deplete developed and producing ("D&P") assets, to assess for indicators of impairment on the Company's CGU and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of the CGU. The estimation of recoverable quantities of proved and probable oil and gas reserves is an inherently complex process and involves the exercise of professional judgment. Estimates are based on forecasted production, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty rates and forecasted future development costs, all of which are subject to uncertainty. The Company's proved and probable oil and gas reserves are estimated by independent, third party reserve evaluators and are determined in accordance with Canadian practices and specifically in accordance with National Instrument 51-101, Standards of Disclosures for Oil and Gas Activities, and the Canadian Oil and Gas Evaluation Handbook.

Reserve adjustments are made annually based on actual volumes produced, the results from capital expenditure programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year. Changes in reserve estimates can affect the impairment of D&P assets, including the reversal of previously recorded impairment, the estimation of decommissioning obligations and the amounts reported for depletion and depreciation of D&P assets.

(continued)

Decommissioning obligations

The Company estimates the decommissioning obligations for oil and gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

4. Material accounting policies

(a) Revenue Recognition

Revenues associated with the production and sale of petroleum products owned by the Company are recognized at the point in which control of the products is transferred to the buyer, which may be when the production enters that party's pipeline or processing facility. Processing or transportation costs associated with petroleum production are netted against the related revenue if they are incurred following the transfer of control to the entity who has purchased the commodity. If transportation or processing costs are incurred prior to the sale of the relevant commodity, such costs are reflected separately as an expense in the consolidated statement of operations and comprehensive income.

(b) Property, Plant and Equipment ("PP&E")

The Company has two categories of PP&E: Developed and Producing assets ("D&P assets") and Other PP&E assets. D&P assets include capital costs (i) related to drilling projects where the drilling location is already determined to hold proved and probable oil and gas reserves, (ii) incurred to improve an already technically feasible and commercially viable well, and (iii) related to facilities and equipment projects. Other PP&E includes furniture, fixtures, leasehold improvements, software, and office equipment. For presentation purposes, both D&P assets and Other PP&E are included in the PP&E category on the consolidated statement of financial position.

(i) Recognition and measurement

PP&E is measured at cost less accumulated depreciation and depletion and accumulated impairment losses.

Gains and losses on disposal of PP&E, including property swaps and farm-outs of oil and gas interests, are determined by comparing the proceeds from disposal with the carrying amount of the PP&E sold, and are recognized on a net basis in profit or loss.

The Company depletes its net carrying value of D&P assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Proved and probable oil and gas reserves are expressed on a barrels of oil equivalent ("Boe") basis where natural gas volumes are converted to Boe using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. The Company engages independent, third party reserve evaluators to estimate the proved and probable oil and gas reserves.

(ii) Capitalized overhead

The Company capitalizes to D&P assets certain directly attributable general and administrative costs, including share-based compensation, associated with employees and consultants involved in acquiring licenses or other approvals and drilling, completion, and construction activities on the Company's operated lands.

(continued)

(iii) Impairment

For the purposes of impairment testing, assets are grouped into the smallest group of assets that generate independent cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Impairment testing of PP&E is performed as facts and circumstances suggest by comparing the carrying amount of D&P assets to their recoverable amount. The recoverable amount is the greater of (i) the assets' value in use, and (ii) its fair value less selling costs. In assessing value in use for D&P assets, the estimated future cash flows from the production of proved and probable reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount is determined using quoted market prices, there is estimation and judgment with respect to the number of days and timing of the share price used by management in its impairment testing.

(iv) Subsequent costs

Subsequent costs are capital costs incurred to improve an existing D&P asset (such as a well) that is technically feasible and commercially viable. These costs are capitalized as D&P assets only if they increase the future economic benefits of the asset. All other expenditures are expensed in the consolidated statement of operations and comprehensive income as incurred. These improvement costs include costs of further developing proved and probable reserves or enhancing production. The costs of routine maintenance of D&P assets are recognized in the consolidated statement of operations and comprehensive income as incurred. The carrying value of any replaced or sold component is derecognized.

(c) Decommissioning Obligations

An obligation is recognized if, as a result of a past event, the Company has a future legal or constructive obligation resulting from the retirement and reclamation of tangible long-lived assets and this obligation can be reliably estimated. The obligation is measured at the present value of management's best estimate of the expected expenditures required to settle this obligation and is recorded in the period the related assets are put into use with a corresponding increase to the carrying amount of the related assets. This increase in capitalized costs is depleted and depreciated on a basis consistent with the underlying assets. Subsequent changes in the estimated fair value of the obligation are capitalized and depleted over the remaining useful life of the underlying asset.

The obligation is carried in the consolidated statement of financial position at its discounted present value and is accreted over time for the change in its present value. The obligation is discounted at a rate that reflects a current market assessment of the time value of money and the risks specific to the obligation. Accretion of the obligation is included in finance expense in the consolidated statement of operations and comprehensive income.

(d) Income Taxes

Current income taxes are measured at the amount expected to be payable on taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period.

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of statement of financial position items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(continued)

(e) Share-based Compensation

The Company uses the fair value method to recognize the cost associated with stock options granted to employees, directors, and other service providers. The fair value of the stock options granted is measured using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being charged to contributed surplus. Fair value is measured at the grant date and each vesting tranche is recognized using the graded vesting method over the period during which the options vest. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of any stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

Share bonus awards to employees, directors and other service providers are measured at the market share price as at the date of grant. A forfeiture rate is estimated on the grant date and the related compensation expense is recognized over the vesting period of the share bonus awards, using the graded vesting method, with the related credit being charged to contributed surplus.

(f) Financial Instruments

Non-derivative financial assets and liabilities

These comprise cash and cash equivalents including bank overdrafts, restricted cash, accounts receivable, accounts payable and accrued liabilities, and the senior credit facility. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured amortized cost.

Derivative financial instruments

The Company may enter into certain financial derivative contracts in order to manage its exposure to market risks from fluctuations in commodity prices, interest rates and foreign exchange rates. These instruments are not used for trading or speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges, and thus will not apply hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts will be classified as fair value through profit or loss and recorded in the consolidated statement of financial position at fair value with changes in fair value recognized in net income. Related transaction costs such as trading commissions will be recognized in the consolidated statement of operations when incurred.

(g) Comprehensive Income

Comprehensive income consists of net earnings and other comprehensive income (loss) ("OCI"). OCI is comprised of the change in the fair value of any derivative instruments accounted for as effective hedges and, the exchange gains and losses arising from the translation of foreign operations with a functional currency that is not Canadian dollars. Accumulated OCI is presented in the consolidated statement of financial position under shareholders' equity.

5. Determination of fair values

Several of the Company's accounting policies require a determination of fair value for certain assets and liabilities. Fair value for measurement or disclosure purposes is determined on the following basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques include the market, income, and cost approaches. The market approach uses information generated by market transactions involving identical or comparable assets or liabilities; the income approach converts estimated future amounts to a present value; and the cost approach is based on the amount that currently would be required to replace an asset.

The Company is required to classify its financial instruments within a hierarchy that prioritizes the inputs to fair market value. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and senior loan are estimated as the present value of related future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2024 and 2023, the fair value of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying value due to their short-term maturity.

Derivatives

The Company does not engage in the use of any derivative instruments for speculative purposes. The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the consolidated statement of financial position date, using the remaining underlying amounts and a risk-free interest rate. The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices, and interest rates. The Company classifies its derivative financial instruments as Level 2 in the fair value hierarchy.

Warrants

The fair value of warrants is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the warrant, expected volatility of the underlying share price (based on historical experience), weighted average expected life of the warrant (based on historical experience and general option holder behavior), forfeiture rate and the risk-free interest rate (based on government bonds).

Senior credit facility

The fair value of the Senior Credit Facility approximates the carrying value as it bears a floating rate of interest and the margin charged by the lenders is indicative of current credit spreads.

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

6. Accounts Receivable

	December 31, 2024	December 31, 2023
Accounts receivable - petroleum and natural gas	**$11,076**	$15,333
Accounts receivable - joint interest billing and other	**2,078**	1,481
Total accounts receivable	**$13,154**	$16,814

7. Right of Use Assets and Lease Liability

The Company's right of use assets and lease liability relate to leases for office space in Calgary and Denver and a compressor in North Dakota.

Right of use assets

Balance at December 31, 2022	$901
Additions	346
Depreciation	(437)
Effect of foreign currency rate changes	(12)
Balance at December 31, 2023	$798
Additions	552
Depreciation	(544)
Effect of foreign currency rate changes	48
Balance at December 31, 2024	**$854**

Lease liability

Balance at December 31, 2022	$1,053
Additions	346
Payments	(493)
Lease interest expense	60
Effect of foreign currency rate changes	(16)
Balance at December 31, 2023	$950
Additions	552
Payments	(587)
Lease interest expense	75
Effect of foreign currency rate changes	57
Balance at December 31, 2024	**$1,047**

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

8. Property, Plant and Equipment

	Developed and producing	Other	Total
Balance at December 31, 2022	$577,123	$188	$577,311
Property acquisitions	6,339	-	6,339
Property dispositions	(129,847)	-	(129,847)
Additions to property, plant and equipment	84,037	45	84,082
Capitalized share-based compensation	3,335	-	3,335
Change in decommissioning obligations	1,309	-	1,309
Depletion and depreciation	(51,366)	(83)	(51,449)
Effect of foreign currency rate changes	(13,549)	-	(13,549)
Balance at December 31, 2023	477,381	150	477,531
Property acquisitions	5,586	-	5,586
Additions to property, plant and equipment	91,082	38	91,120
Capitalized share-based compensation	2,853	-	2,853
Change in decommissioning obligations	605	-	605
Impairment	(236,000)	-	(236,000)
Depletion and depreciation	(53,039)	(93)	(53,132)
Effect of foreign currency rate changes	42,676	-	42,676
Balance at December 31, 2024	**$331,144**	**$95**	**$331,239**

Property Acquisition

During the year ended December 31, 2024, Lucero closed an acquisition of top-up working interests in the Company's core Williston Basin area for total cash consideration of $5.6 million.

Property Disposition

On June 15, 2023, Lucero closed a disposition of certain non-operated oil and gas properties within the Company's North Dakota Bakken/Three Forks play (the "Disposition") for a sale price of $140.2 million before closing adjustments. As customary, at the time of closing, the purchase and sale agreement provided that receipt of $6.6 million of the cash consideration was to be deferred subject to any bona fide indemnity claims made by the purchaser (the "Deferred Proceeds"). As at December 31, 2024, the full amount of the Deferred Proceeds have been received by the Company and no indemnity claim was made by the purchaser. The effective date of the Disposition was January 1, 2023 and after closing adjustments, net cash proceeds were $130.5 million including receipt of the Deferred Proceeds. The proceeds from the property disposition exceed the net book value of the properties disposed, resulting in a gain of $3.0 million.

Sale price	$140,173
Closing adjustments	(8,656)
Foreign exchange impact	(1,064)
Proceeds from property disposition [1]	$130,453
Net book value of properties disposed, net of decommissioning obligations	127,454
Gain on disposition	$2,999

(1) Of the $130.5 million of proceeds, $119.6 million was received in June 2023, $4.1 million was received in December 2023 and the remaining $6.8 million was received by June 30, 2024.

Depreciation, depletion and future development costs

Depletion and depreciation expense was $53.1 million (2023 - $51.4 million) for the year ended December 31, 2024, which reflected an estimated US$159.2 million (2023 - US$207.7 million) of future development costs associated with proved and probable oil and gas reserves.

(continued)

Impairment

The Company evaluates its developed and producing ("D&P") assets for impairment indicators that may suggest the carrying value of these assets may not be recoverable. If such impairment indicators exist, impairment is determined by comparing the carrying amount of D&P assets to the greater of the assets' value in use or the estimated fair value less selling costs. If the carrying amount is in excess of the estimated recoverable value, the Company will record an impairment expense related to the D&P assets. Alternatively, impairment losses may be reversed in future periods if the estimated recoverable amount of the D&P assets exceed the carrying value. The impairment recovery is limited to a maximum of the previously recognized impairment expense, net of any depletion that would have occurred if not for the impairment.

In connection with the Corporate Transaction that was announced on December 16, 2024, the Company identified an impairment indicator based on the fair value of the consideration to be received. As a result, management performed an impairment test by comparing the total consideration to be received in the Corporate Transaction to the Company's total equity. This resulted in the Company recognizing an impairment expense of $236.0 million against its property, plant and equipment. The total consideration from the Corporate Transaction was measured at $324.9 million, based on the 15-day weighted average trading price of Vitesse by the total number of shares to be received. A decrease (or increase) of $1.00 in the trading price of Vitesse would result in an increase (or decrease) in impairment expense of $11.8 million.

Capitalized Overhead

During the year ended December 31, 2024, the Company capitalized $2.3 million of general and administrative costs and $2.9 million of share-based compensation costs directly attributable to acquisition and development activities ($3.2 million and $3.3 million, respectively, for the year ended December 31, 2023).

9. Senior Credit Facility

In November 2024, the Company renewed its reserves-based revolving credit facility of US$160.0 million, which is comprised of a US$145.0 million syndicated facility and a US$15.0 million non-syndicated operating facility (together, the "Senior Credit Facility"). As at December 31, 2024, the Senior Credit Facility was undrawn. Advances under the Senior Credit Facility are available by way of direct advances, bankers' acceptances, and standby letters of credit. Direct advances bear interest at the Canadian prime rate, US base rate or SOFR rate, as elected by the Company, plus a margin ranging from 1.75% to 5.25%, which is dependent on the Company's Senior Debt to EBITDA ratio. The Senior Credit Facility is secured by a fixed and floating charge debenture on substantially all the Company's assets.

The Senior Credit Facility borrowing base is subject to redetermination on a periodic basis, no later than May 31 and November 30 annually, based primarily on producing oil and gas reserves, as estimated by the Company's independent third-party reserve evaluators, and using commodity prices established by the lender as well as other factors. The next borrowing base redetermination is scheduled for May 31, 2025 with a term out date on the same day, at which point, the facility can be extended at the option of the lenders or converted to a one-year term loan expiring and requiring repayment one year from the term out date. If a decrease in the borrowing base is determined by the senior lenders in the future, it could potentially result in a reduction to the credit facility, which may require a repayment to the lenders within 60 days, if the drawn amount exceeds the borrowing base. The Company was in compliance with terms of the Senior Credit Facility at December 31, 2024.

The credit facility is subject to certain non-financial covenants and the Company was in compliance with all covenants under the senior credit facility as at December 31, 2024. The credit facility has no financial covenants.

Subsequent to December 31, 2024, and immediately prior to the close of the Corporate Transaction on March 7, 2025, the Company wound up its reserves-based revolving credit facility.

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

10. Decommissioning Obligations

	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	**$4,623**	$5,993
Obligations incurred	**378**	549
Obligations acquired	**-**	90
Obligations disposed	**-**	(2,393)
Obligations settled - cash	**(1,167)**	(304)
Change in estimated future cash flows	**227**	670
Accretion	**172**	169
Effect of foreign currency rate changes	**395**	(151)
Balance, end of year	**$4,628**	$4,623

Lucero's decommissioning obligations consist of remediation obligations resulting from the Company's ownership interests in petroleum and natural gas assets. The total obligation is estimated based on the Company's net working interest in wells and related facilities, estimated costs to return these sites to their original condition, costs to plug and abandon wells and the estimated timing of the costs to be incurred in future years.

The Company has estimated the net present value of its total decommissioning provision to be $4.6 million at December 31, 2024 ($4.6 million at December 31, 2023) based on a total undiscounted and uninflated liability of $8.4 million ($7.7 million at December 31, 2023). Management estimates that these payments are expected to be made over the next 50 years based in part on estimates prepared by independent third-party reserve evaluators. As at December 31, 2024, a risk-free interest rate of 4.8% (4.0% at December 31, 2023) and an inflation rate of 2.3% (2.2% at December 31, 2023) were used to calculate the present value of the decommissioning obligation.

11. Share Capital

Warrants

As part of private placements closed in February 2022, 23,750,000 warrants were issued, each entitling the holder to acquire one common share at a price of $0.475, subject to the following conditions:

- one-third of the warrants may be exercised after the Company's trading price (the "Trading Price") exceeds $0.67,
- one-third of the warrants may be exercised after the Company's Trading Price exceeds $0.83, and
- one-third of the warrants may be exercised after the Company's Trading Price exceeds $0.95.

The Trading Price is defined as the 20-day weighted average trading price.

At December 31, 2024, 15.8 million warrants had vested (15.8 million at December 31, 2023), which represents the first two thirds of the total warrants issued. In the year ended December 31, 2024, 1.8 million warrants had been exercised on a cashless basis, and 0.9 million had been forfeited. At the election of the warrant holder, warrants may be exercised on a cashless basis, which converts the difference between the exercise price and the prevailing Trading Price, into common shares, with no cash proceeds received by the Company. All remaining warrants issued or exercisable will expire on February 1, 2027. Subsequent to December 31, 2024, and immediately prior to the close of the Corporate Transaction on March 7, 2025, all warrants issued or excercisable, were cancelled.

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Common shares

The Company's authorized share capital consists of unlimited voting common shares, unlimited non-voting common shares, and unlimited Class A preferred shares, issuable in series, of which one series (being the special voting shares) have been authorized for issuance. As at December 31, 2024, the Company had 637,664,266 voting common shares (648,671,067 at December 31, 2023), no non-voting common shares, and no Class A preferred shares outstanding.

The following table reflects the Company's outstanding common shares as at December 31, 2024:

(thousands, except number of common shares)	Common shares	Share capital
Balance at December 31, 2021	523,387,831	$366,730
Settlement of restricted and performance share bonus awards	2,772,856	1,913
Private placements	136,250,000	52,158
Share issue costs	-	(2,235)
Balance at December 31, 2022	662,410,687	$418,566
Settlement of restricted and performance share bonus awards	7,820,080	5,141
Repurchase of common shares under NCIB	(21,559,700)	(13,523)
Balance at December 31, 2023	648,671,067	410,184
Settlement of restricted and performance share bonus awards	330,119	185
Settlement of warrant exercise	223,914	51
Repurchase of common shares under NCIB	(11,560,834)	(7,367)
Tax on repurchase of common shares under NCIB	-	(147)
Balance at December 31, 2024	**637,664,266**	**$402,906**

Normal course issuer bid ("NCIB")

On June 14, 2024, Lucero announced the renewal of the Company's NCIB (the "Current NCIB") to purchase for cancellation, up to a maximum of 31.9 million common shares of the Company over a twelve month period commencing June 19, 2024. As of December 31, 2024, no common shares had been repurchased and cancelled under the Current NCIB.

On June 15, 2023, Lucero announced the approval of the Company's NCIB (the "Prior NCIB") to purchase for cancellation, up to a maximum of 33.1 million common shares of the Company over a twelve month period commencing June 19, 2023. As of December 31, 2024, 33.1 million common shares had been repurchased and cancelled under the Prior NCIB, at an average cost of $0.63 per common share.

Common shares issued upon closing of Corporate Transaction

Subsequent to December 31, 2024, pursuant to the close of the Corporate Transaction on March 7, 2025, 22.1 million common shares were issued as a result of the accelerated vesting of all outstanding restricted and performance share bonus awards.

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Share bonus awards

The Company has granted restricted share bonus awards and performance share bonus awards (collectively, the "share bonus awards") to certain directors, officers, and employees. Share bonus awards granted according to the plan vest over three years from the date of grant and expire before the end of the third year from the date of grant. Performance share bonus awards are valued on achievement of certain performance hurdles and are subject to a multiplier between 0 and 2.0 times based on relative performance. The share bonus awards may be settled by the Company, in its sole discretion, in cash and or common shares of the Company. The estimated fair value of the share bonus awards is determined based on the current market value of the Company's common shares at the dates of grant and considering anticipated forfeiture rates. For purposes of valuing performance share bonus awards, the Company assumes a multiplier of 1.0 times until the Board of Directors approves an annual multiplier. Upon approval of the multiplier, if different than 1.0, the difference is reflected as share-based compensation expense in the consolidated statement of operations and comprehensive income over the vesting period with a corresponding increase to contributed surplus.

	Restricted share bonus awards	Performance share bonus awards	Total awards	Estimated fair value price ($)
Balance at December 31, 2022	7,225,030	25,156,587	32,381,617	$0.66
Granted	2,432,162	7,997,870	10,430,032	0.54
Granted pursuant to multiplier	-	2,905,460	2,905,460	0.61
Settled	(2,489,473)	(11,552,947)	(14,042,420)	0.59
Forfeited and expired	(192,685)	(486,090)	(678,775)	0.50
Balance at December 31, 2023	6,975,034	24,020,880	30,995,914	0.65
Granted	2,249,527	6,820,677	9,070,204	0.59
Granted pursuant to multiplier	-	6,232,948	6,232,948	0.63
Settled	(94,654)	(441,596)	(536,250)	0.35
Forfeited and expired	(863,604)	(3,857,730)	(4,721,334)	0.60
Balance at December 31, 2024	**8,266,303**	**32,775,179**	**41,041,482**	**$0.64**

Subject to the closing of the Corporate Transaction and immediately prior to the close of the Corporate Transaction on March 7, 2025, an additional 2.3 million performance share bonus awards were granted pursuant to multiplier. Subsequent, to December 31, 2024, and immediately prior to the close of the Corporate Transaction on March 7, 2025, all outstanding restricted and performance share bonus awards vested, resulting in an additional share-based compensation expense of $6.0 million.

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

12. Revenue

The following table details the Company's sales by product:

		Year ended December 31,	
	2024	**2023**	**2022**
Tight oil	**$166,046**	$237,962	$297,373
Shale gas	**2,184**	11,111	26,432
Natural gas liquids	**3,110**	5,128	18,777
	$171,340	$254,201	$342,582

The Company sells production pursuant to variable-priced contracts. The transaction price is based on the relevant commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The Company has several different commodity sales as well as transportation and processing contracts related to production from its properties. To the extent control of the relevant commodity is transferred to the purchaser prior to transportation or processing fees are incurred, such fees are netted against the relevant revenue in the consolidated statement of operations and comprehensive income. To the extent control of the relevant commodity is transferred to a purchaser after transportation or processing fees are incurred, such fees are reflected as transportation expense and as operating expense, respectively in the consolidated statement of operations and comprehensive income.

13. Net Income (Loss) per Common Share

Basic earnings per common share amounts are calculated by dividing the net income for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflect the maximum possible dilution from other securities, if dilutive.

(thousands, except number of		Year ended December 31,	
common shares and per share amounts)	**2024**	**2023**	**2022**
Net income (loss) for the year	**($165,267)**	$59,272	$80,519
Basic weighted average number of common shares	**629,494,761**	658,298,182	648,842,077
Diluted weighted average number of common shares	**629,494,761**	672,763,201	672,009,827
Basic and diluted net income (loss) per common share	**($0.26)**	$0.09	$0.12

In computing diluted earnings for the year ended December 31, 2024, the diluted number of shares is equivalent to the basic number of shares due to antidilutive performance and restricted awards. Therefore, the diluted per share amounts for net loss are equivalent to the basic per share amounts.

In computing diluted earnings for the year ended December 31, 2023, 6,762,394 performance share bonus awards, 5,417,421 warrants and 2,285,204 restricted share bonus awards were added to the basic weighted average common shares outstanding.

In computing diluted earnings for the year ended December 31, 2022, 11,625,673 performance share bonus awards, 7,994,394 warrants and 3,547,683 restricted share bonus awards were added to the basic weighted average common shares outstanding.

LUCERO ENERGY CORP.

Notes to the Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022
(in $000's of Canadian dollars, unless otherwise noted)

14. Finance Expenses

		Year ended December 31,	
	2024	**2023**	**2022**
Senior credit facility interest and amortized financing costs [1]	**$2,386**	$4,383	$7,081
Interest income	**(4,770)**	(2,184)	-
Lease interest	**75**	60	73
Finance (income) expenses - cash	**(2,309)**	2,259	7,154
Decommissioning obligations accretion	**172**	169	174
Total finance (income) expenses, net	**($2,137)**	$2,428	$7,328

[1] Senior credit facility interest includes standby fees on the undrawn amounts of the senior credit facility.

15. Income taxes

Deferred tax expense

The components of income tax expense (recovery) are as follows:

		Year ended December 31,	
	2024	**2023**	**2022**
Deferred tax expense			
Canada	**-**	-	-
United States	**(48,215)**	23,505	29,748
Total deferred tax expense	**(48,215)**	23,505	29,748
Total income tax expense	**($48,215)**	$23,505	$29,748

The provision for income taxes recorded in the consolidated financial statements varies from the amount that would be computed by applying the Canadian statutory rate of 23.0%. The reasons for the difference are as follows:

		Year ended December 31,	
	2024	**2023**	**2022**
Net income (loss) before income taxes			
Canada	**($19,691)**	($10,677)	($8,433)
United States	**(193,791)**	93,454	118,700
Total net income before income taxes	**(213,482)**	82,777	110,267
Statutory income tax rate	**23.0%**	23.0%	23.0%
Expected income tax expense	**(49,101)**	19,039	25,361
Add (deduct):			
Foreign and statutory rate differences	**(4,098)**	1,978	2,470
Non-deductible expenses	**28**	26	10
Impact of rate change and other	**2,715**	447	1,448
Change in valuation allowance	**2,241**	2,015	459
Deferred income tax expense	**($48,215)**	$23,505	$29,748

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Deferred tax asset (liability)

The following table summarizes the continuity of the deferred tax asset (liability):

	As at Dec 31, 2022	Recognized in Earnings	Recognized in Equity	As at Dec 31, 2023
Deferred income tax liabilities				
Property, plant and equipment	($55,923)	($22,788)	$1,866	($76,845)
Other	-	(58)	1	(57)
Deferred income tax assets				
Net operating losses	22,675	(943)	(511)	21,221
Stock compensation	253	57	(8)	302
Accrued bonuses	612	119	(17)	714
Disallowed interest	-	448	47	495
Decommissioning obligations	1,504	(315)	(28)	1,161
Other	326	(25)	(157)	144
Total deferred income tax liability	(30,553)	($23,505)	$1,193	($52,865)

	As at Dec 31, 2023	Recognized in Earnings	Recognized in Equity	As at Dec 31, 2024
Deferred income tax liabilities				
Property, plant and equipment	($76,845)	$48,686	($6,826)	($34,985)
Other	(57)	61	(4)	-
Deferred income tax assets				
Net operating losses	21,221	401	1,943	23,565
Stock compensation	302	490	27	819
Accrued bonuses	714	(777)	63	-
Disallowed interest	495	(538)	43	-
Decommissioning obligations	1,161	(102)	102	1,161
Other	144	(6)	22	160
Total deferred income tax liability	($52,865)	$48,215	($4,630)	($9,280)

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2024	As at December 31, 2023
Property, plant and equipment	**$352**	$314
Debt issuance costs	**894**	1,350
Non-capital losses/net operating losses	**31,699**	27,700
Capital losses	**-**	1,478
Other	**124**	79
	$39,924	$30,921

The Company has a non-capital loss balance of C$31.9 million for Canadian tax purposes which expires between 2031 and 2044. For US tax purposes, the Company has a net operating loss balance of US$60.6 million, US$43.7 million of which will expire between 2034 and 2037 and US$16.9 million which do not expire. As at December 31, 2024, the Company had recorded a basis of approximately C$1.0 million and US$133.5 million in depletable and depreciable assets for tax purposes.

16. Key management personnel compensation

Key management personnel include the directors and officers of the Company and is summarized below:

	Year ended December 31,	
	2024	**2023**
Salaries and other short-term benefits	**$4,046**	$3,875
Share-based compensation	**6,517**	7,120
Total compensation	**$10,563**	$10,995

17. Financial Instruments and Risk Management

Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, senior credit facility, financial derivative assets and liabilities, and lease liabilities. Financial derivatives are measured at fair value through profit or loss. The Company's remaining financial instruments are measured at amortized cost. The fair value of cash and cash equivalents, accounts receivable, restricted cash and accounts payable approximate their carrying amount due to the highly liquid or short-term nature of these instruments. The fair value of the senior credit facility approximates the carrying amount due to the floating rate of interest and the margin charged by the lending syndicate being indicative of current spreads.

The following table summarizes the Company's financial instruments that are carried at fair value as a financial derivative liability on the Consolidated Statements of Financial Position:

	As at December 31, 2024	As at December 31, 2023
Fixed price swaps	**($563)**	-

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Derivatives and hedging activity

The Company's commodity derivative financial instruments are measured at fair value and are included in the statements of financial position as financial derivative assets or liabilities. Unrealized gains and losses are recorded based on the changes in the fair values of the derivative instruments. Both the unrealized and realized gains and losses resulting from the contract settlement of derivatives are recorded in the statement of operations.

The amount of unrealized loss recognized in the consolidated statement of operations and comprehensive income (loss) related to the Company's derivative financial instruments was $0.6 million for the year ended December 31, 2024 (no unrealized gain or loss for the year ended December 31, 2023).

Costless collars

Costless collars consist of a fixed floor price (purchased put option) and a fixed ceiling price (sold call option). If the market price is between the floor and the ceiling, no payments are due from either party. At the time of settlement, if the market price exceeds the ceiling or falls below the floor, we receive the fixed price and pay the market price.

Fixed price swaps

Under a fixed price swap, the Company receives a fixed price and pays a floating market price to the counterparty.

As at December 31, 2024, pursuant to the Corporate Transaction, the Company had various oil price derivative contracts outstanding. The tables below represent the weighted average price for each contract type by fiscal quarter for oil derivative contracts:

Oil Contract Type (WTI)	Period	Volume (Bbls/d)	Swap (US$)
Fixed Swaps	Q1 2025	2,278	$69.21

Risk management activities

Commodity price risk

Lucero may use financial derivative instruments such as swaps, collars, and options to mitigate the impact of commodity price volatility and enhance the predictability of cash flows for a portion of its future oil, gas, and natural gas liquids production. The Company does not enter derivative instruments for speculative purposes. While these instruments mitigate the cash flow risk associated with future decreases in commodity prices, they may also curtail benefits from future increases in commodity prices.

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Credit and contract risk

Credit and contract risk represent the economic loss that Lucero would suffer if a counterparty in a transaction fails to meet its obligations in accordance with agreed terms.

The Company's cash, a portion of which is comprised of short-term deposits, is deposited with financial institutions and is subject to counterparty credit and contract risk. The Company mitigates this risk by only transacting with investment grade financial institutions with strong credit ratings.

The large majority of the Company's accounts receivable is from the production of tight oil and shale gas and joint operations receivables. Sales of tight oil, natural gas liquids and shale gas production from the Company's operated properties are made to large, credit-worthy industry purchasers. Three purchasers account for approximately 92% of the Company's revenue for the year ended December 31, 2024 (2023 - 88%). Joint operations receivables are from participants in the tight oil and shale gas sector and collection of outstanding balances is dependent on industry factors including commodity price fluctuations. The Company has not experienced any material credit losses on the collection of accounts receivable.

The use of financial derivative instruments also exposes the Company to credit and contract risk. The Company enters into derivative instruments only with counterparties that are also lenders in the Senior Credit Facility and have been deemed an acceptable credit risk. As the Company's counterparties are participants in the Senior Credit Facility, which is secured by substantially all assets of the Company, the Company is not required to post collateral.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its short-term and long-term financial obligations when due, under both normal and unusual conditions, without incurring unacceptable losses. The financial liabilities in the consolidated statement of financial position consist of accounts payable and accrued liabilities, which are all considered due within one year, and the senior credit facility and lease liability. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities as they come due. The Company prudently manages liquidity by forecasting its cash flows from operating activities and its available capacity under its revolving credit facilities. The Company's accounts payable and accrued liabilities balance at December 31, 2024 was approximately $30.0 million (December 31, 2023 - $31.3 million). It is the Company's general practice to pay suppliers within 60 days.

The following are the anticipated timing of settlements of its financial liabilities at December 31, 2024:

($ thousands)	**Total**	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	**$36,893**	$36,893	-	-	-
Financial derivative liability	**563**	563	-	-	-
Lease obligations	**1,047**	793	254	-	-
Total	**$38,503**	$38,249	$254	-	-

(continued)

(in $000's of Canadian dollars, unless otherwise noted)

Capital management

Lucero's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on the Company's capital expenditure program, which includes expenditures on oil and gas activities which may or may not be successful. Therefore, Lucero monitors the level of risk incurred in the Company's capital expenditures to balance the proportion of debt, if any, and equity in the Company's capital structure.

Lucero manages the Company's capital structure and makes adjustments by continually monitoring its business conditions, including: current economic conditions; the risk characteristics of the Company's petroleum and natural gas assets; the Company's investment opportunities; current and forecasted net debt levels; current and forecasted commodity prices; and other factors that influence realized commodity prices and cash flow from operations such as quality and basis differential, royalties, operating costs and transportation and processing costs. The Company considers its capital structure to include working capital, any debt, and shareholders' equity. The Company monitors capital based on current cash flow from operations compared to forecasted capital and operating requirements.

In order to maintain or adjust the capital structure, Lucero will consider: the Company's forecasted cash flow from operations while investing an acceptable capital expenditure program which may include acquisition opportunities; the current level of credit available from its lenders; the level of credit that may become available from its lenders as a result of petroleum and natural gas reserve growth; the availability of other sources of debt with different characteristics than bank debt; the sale of assets; limiting the size of the capital expenditure program and new equity issuances if available on favorable terms. Access to any bank credit facility is determined by the lenders and is generally based upon the lenders' borrowing base models which are based upon the Company's petroleum and natural gas reserves.

18. Supplemental cash flow disclosures

Changes in non-cash working capital is compromised of the following:

		Year ended December 31,	
	2024	**2023**	**2023**
Source (use) of cash:			
Accounts receivable	**$3,660**	$11,606	$11,197
Deferred Proceeds pursuant to the Disposition	**$6,613**	-	-
Prepaid expenses and deposits	**697**	(130)	(1,137)
Accounts payable and accrued liabilities	**5,642**	(27,411)	2,648
	16,612	(15,935)	12,708
Related to operating activities	**9,591**	(3,231)	18,358
Related to investing activities	**5,660**	(12,500)	(7,044)
Accrued interest	**7**	37	59
Difference due to foreign exchange	**1,354**	(241)	1,335
	$16,612	($15,935)	$12,708
Interest paid	**($2,316)**	$2,222	$7,096

Supplemental Oil and Gas Information (Unaudited)

The disclosures contained in this section providing oil and gas information are prepared in accordance with FASB Accounting Standards Codification topic 932; Extractive Activities – Oil and Gas. Our financial reporting is prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The reserves data set forth below is based upon the evaluation by Netherland, Sewell & Associates, Inc. (NSAI). The reserves data summarizes our crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The reserves were prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324.

Our reserves are in the United States, specifically in North Dakota. All financial information provided herein with respect to our United States reserves are in US$. The exchange rate in effect at December 31, 2024 was US$1.00 = C$1.4389.

Forecasts of revenue, estimated using forecast prices and costs, arising from the anticipated development and production of resources, are presented net of the associated royalties, operating costs, development costs and abandonment and reclamation costs. The estimated future net revenue contained in the following tables does not necessarily represent the fair market value of our reserves. There is no assurance that the forecast price and cost assumptions contained in the reserves will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the notes to or following the tables below. Readers should review the definitions and information contained in "Definitions and Notes to Reserves Data Tables" below in conjunction with the following tables and notes. The recovery and reserve estimates on our properties described herein are estimates only. The actual reserves on our properties may be greater or less than those calculated.

Definitions and Notes to Reserves Data Tables

In the tables set forth within the "Supplemental Oil and Gas Information" the following definitions and other notes are applicable:

1. "Gross" means:
   (a) in relation to our interest in production and reserves, our working interest (operating and non-operating) share before deduction of royalties and without including any of our royalty interests;
   (b) in relation to wells, the total number of wells in which we have an interest; and
   (c) in relation to properties, the total area of properties in which we have an interest.

2. "Net" means:
   (a) in relation to our interest in production and reserves, our working interest (operating and non-operating) share after deduction of royalty obligations, plus our royalty interest in production or reserves;
   (b) in relation to wells, the number of wells obtained by aggregating our working interest in each of our gross wells; and
   (c) in relation to our interest in a property, the total area in which we have an interest multiplied by our working interest.

3. Definitions used for reserves categories are as follows:
   Reserves Categories
   Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:
   (a) analysis of drilling, geological, geophysical and engineering data;
   (b) the use of established technology; and
   (c) specified economic conditions, which are generally accepted as being reasonable (see the discussion of "Economic assumptions" below).
   Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

4. "Economic assumptions" are the forecast prices and costs used in the estimate.
   Development and Production Status
   The reserve categories may be divided into developed and undeveloped categories:
   (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
      (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category to which they are assigned.

Levels of Certainty for Reported Reserves
The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities" (which refers to the lowest level at which reserves calculations are performed) and to "reported reserves" (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

5. "Development costs" means costs incurred to obtain access to our reserves and to provide facilities for extracting, treating, gathering and storing the oil and natural gas from our reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
   (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, natural gas lines and power lines, to the extent necessary in developing the reserves;
   (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
   (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
   (d) provide improved recovery systems.

6. "Development well" means a well drilled inside the established limits of an oil and natural gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

7. "Forecast prices and costs" are future prices and costs that are:
   (a) generally acceptable as being a reasonable outlook of the future; and
   (b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

8. "Natural Gas Liquids" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates.

9. "Shale gas" means natural gas:
   (a) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the natural gas is primarily adsorbed on the kerogen or clay minerals; and
   (b) that usually requires the use of hydraulic fracturing to achieve economic production rates.

10. "Tight oil" means crude oil:
    (a) contained in dense organic-rich rocks, including low-permeability shales, siltstones and carbonates, in which the crude oil is primarily contained in microscopic pore spaces that are poorly connected to one another; and
    (b) that typically requires the use of hydraulic fracturing to achieve economic production rates.

11. Numbers may not add due to rounding.

12. The estimates of future net revenue presented in the tables above do not represent fair market value.

13. We do not have any synthetic oil or other products from non-conventional oil and natural gas activities.

Tight Oil, Natural Gas and Natural Gas Liquids Exploration and Production Activities

Tight oil, natural gas and natural gas liquids sales reflect the market prices of net production sold or transferred with appropriate adjustments for any contractual provisions. Operating expenses include lifting costs incurred to operate and maintain productive wells and related equipment including such costs as operating labor, repairs and maintenance, materials, supplies and fuel consumed. Production taxes include ad valorem and severance taxes. Depletion of crude oil and natural gas properties relates to capitalized costs incurred in acquisition, exploration, and development activities. Results of operations do not include interest expense and general corporate amounts. The results of operations for the Corporation's tight oil, natural gas and natural gas liquids production activities are provided in the Corporation's related consolidated statements of operations.

Capitalized Costs

The following table summarizes net capitalized costs relating to tight oil, natural gas and natural gas liquids producing activities as of December 31, 2024 and 2023.

	DECEMBER 31,	
(C$000s)	**2024**	**2023**
Proved oil and gas properties	854,487	688,415
Unproved oil and gas properties	—	—
Total capitalized costs	854,487	688,415
Accumulated depletion, depreciation and impairment	(523,347)	(211,034)
Net capitalized costs	331,140	477,381

Costs Incurred

The following table summarizes costs incurred in tight oil, natural gas and natural gas liquids, exploration and development activities, for the years ended December 31, 2024, 2023 and 2022.

	FOR THE YEARS ENDED DECEMBER 31,		
(C$000s)	**2024**	**2023**	**2022**
Proved property acquisition costs	5,586	6,339	8,858
Proved property disposition proceeds	—	(123,725)	—
Exploration costs	—	—	—
Development costs	88,816	80,916	59,924
Total	94,402	(36,470)	68,782

Pricing Assumptions

The forecast cost and price assumptions in this statement assume primarily increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. Crude oil and natural gas benchmark reference pricing and inflation rates utilized in the reserves were as follows for the reserves prepared as of December 31, 2024, 2023 and 2022:

December 31, 2024

Year[(1)]	TIGHT OIL WTI CRUDE OIL (US$/Bbl)[(2)]	SHALE GAS US HENRY HUB PRICE (US$/MMbtu)[(2)]	NATURAL GAS LIQUIDS (US$/Bbl)[(3)]
2025	71.58	3.31	17.18
2026	74.48	3.73	17.88
2027	75.81	3.85	18.19
2028	77.66	3.93	18.64
2029	79.22	4.01	19.01
2030	80.80	4.09	19.39
2031	82.42	4.17	19.78
2032	84.06	4.26	20.17
2033	85.75	4.34	20.58
2034	87.47	4.43	20.99
2035	89.21	4.52	21.41
Thereafter	2.0%/year	2.0%/year	2.0%/year

December 31, 2023

Year[(1)]	TIGHT OIL WTI CRUDE OIL (US$/Bbl)[(2)]	SHALE GAS US HENRY HUB PRICE (US$/MMbtu)[(2)]	NATURAL GAS LIQUIDS (US$/Bbl)[(3)]
2024	73.67	2.75	17.68
2025	74.98	3.64	18.00
2026	76.14	4.02	18.27
2027	77.66	4.10	18.64
2028	79.22	4.18	19.01
2029	80.80	4.27	19.39
2030	82.42	4.35	19.78
2031	84.06	4.44	20.18
2032	85.74	4.53	20.58
2033	87.46	4.62	20.99
2034	89.21	4.71	21.41
Thereafter	2.0%/year	2.0%/year	2.0%/year

December 31, 2022

Year[(1)]	TIGHT OIL WTI CRUDE OIL (US$/Bbl)[(2)]	SHALE GAS US HENRY HUB PRICE (US$/MMbtu)[(2)]	NATURAL GAS LIQUIDS (US$/Bbl)[(3)]
2023	80.33	4.74	26.75
2024	78.50	4.50	26.14
2025	76.95	4.31	25.63
2026	77.61	4.40	25.84
2027	79.16	4.49	26.36
2028	80.74	4.58	26.89
2029	82.36	4.67	27.43
2030	84.00	4.76	27.97
2031	85.69	4.86	28.53
2032	87.40	4.95	29.10
2033	89.15	5.05	29.69
Thereafter	2.0%/year	2.0%/year	2.0%/year

Notes:

(1) Inflation rate for costs used is 2.0% per year.

(2) Based on an average of forecasted pricing, by year, from McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule Worldwide Petroleum Consultants.

(3) NGL pricing reflects the fixed % differential to the WTI price based on the Corporation's historical results.

Oil and Natural Gas Reserve Data

The following tables present the Corporation's gross reserves as prepared by NSAI. The Corporation emphasizes that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of tight oil, natural gas and natural gas liquids that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment.

	GROSS RESERVES			
	TIGHT OIL (MBbl)	SHALE GAS (MMcf)	NATURAL GAS LIQUIDS (MBbl)	MBoe
Proved Developed and Undeveloped Reserves at December 31, 2021	38,776	48,467	8,701	55,555
Revisions of Previous Estimates	(2,492)	9,357	1,848	916
Acquisition of Reserves	908	1,544	201	1,366
Production	(2,396)	(4,455)	(830)	(3,969)
Proved Developed and Undeveloped Reserves at December 31, 2022	34,796	54,913	9,920	53,868
Revisions of Previous Estimates	1,662	9,509	1,534	4,781
Acquisition of Reserves	366	725	194	681
Disposition of Reserves	(9,169)	(15,622)	(2,223)	(13,996)
Production	(2,253)	(4,446)	(900)	(3,894)
Proved Developed and Undeveloped Reserves at December 31, 2023	25,402	45,079	8,525	41,440
Revisions of Previous Estimates	(5,841)	61	(353)	(6,183)
Acquisition of Reserves	—	—	—	—
Disposition of Reserves	—	—	—	—
Production	(1,646)	(5,209)	(949)	(3,463)
Proved Developed and Undeveloped Reserves at December 31, 2024	17,915	39,931	7,223	31,794

	GROSS RESERVES			
	OIL (MBbl)	NATURAL GAS (MMcf)	NATURAL GAS LIQUIDS (MBbl)	MBoe
Proved Developed Reserves:				
December 31, 2021	21,258	32,731	5,766	32,479
December 31, 2022	18,059	39,015	7,272	31,834
December 31, 2023	13,537	33,625	6,646	25,787
December 31, 2024	10,182	32,432	5,965	21,552
Proved Undeveloped Reserves:				
December 31, 2021	17,518	15,736	2,935	23,076
December 31, 2022	16,737	15,898	2,648	22,035
December 31, 2023	11,865	11,454	1,879	15,653
December 31, 2024	7,733	7,499	1,259	10,242

Notable changes in proved reserves for the year ended December 31, 2024 included the following:

- *Revisions to previous estimates:* In 2024, revisions to previous estimates decreased gross proved reserves by a net amount of 6,184 MBoe. These revisions were primarily attributable to underperformance of infill locations that were converted to PDP and corresponding downward adjustments to several remaining locations.

Notable changes in proved reserves for the year ended December 31, 2023 included the following:

- *Acquisitions:* We acquired 681 MBoe of proved developed and proved undeveloped reserves in the Williston Basin during 2023.
- *Dispositions:* We divested 13,996 MBoe of proved developed and proved undeveloped non-operated reserves in the Williston Basin during 2023.
- *Revisions to previous estimates:* In 2023, revisions to previous estimates increased proved reserves by a net amount of 4,781 MBoe. These revisions were primarily attributable to infill location additions and escalating GOR trends.

Notable changes in proved reserves for the year ended December 31, 2022 included the following:

- *Acquisitions*. We acquired 1,366 MBoe of proved developed and undeveloped reserves in the Williston Basin during 2022.
- *Revisions to previous estimates.* In 2022, revisions to previous estimates increased proved reserves by a net amount of 916 MBoe. These revisions were primarily attributable to economic factors (268 Mboe) and escalating GOR trends (648 Mboe).

	NET RESERVES			
	TIGHT OIL (MBbl)	SHALE GAS (MMcf)	NATURAL GAS LIQUIDS (MBbl)	MBoe
Proved Developed and Undeveloped Reserves at December 31, 2021	31,763	39,636	7,182	45,551
Revisions of Previous Estimates	(2,184)	7,450	1,487	545
Acquisition of Reserves	740	1,257	165	1,115
Production	(1,953)	(3,628)	(682)	(3,240)
Proved Developed and Undeveloped Reserves at December 31, 2022	28,366	44,716	8,152	43,971
Revisions of Previous Estimates	1,370	7,974	1,299	3,997
Acquisition of Reserves	302	599	162	563
Disposition of Reserves	(7,244)	(12,341)	(1,756)	(11,057)
Production	(1,857)	(3,676)	(750)	(3,220)
Proved Developed and Undeveloped Reserves at December 31, 2023	20,937	37,272	7,106	34,256
Revisions of Previous Estimates	(4,753)	54	(307)	(5,051)
Acquisition of Reserves	—	—	—	—
Disposition of Reserves	—	—	—	—
Production	(1,362)	(4,281)	(789)	(2,865)
Proved Developed and Undeveloped Reserves at December 31, 2024	14,822	33,045	6,010	26,340

	NET RESERVES			
	OIL (MBbl)	NATURAL GAS (MMcf)	NATURAL GAS LIQUIDS (MBbl)	MBoe
Proved Developed Reserves:				
December 31, 2021	17,461	26,818	4,780	26,711
December 31, 2022	14,779	31,840	5,996	26,082
December 31, 2023	11,222	27,873	5,552	21,420
December 31, 2024	8,425	26,818	4,957	17,852
Proved Undeveloped Reserves:				
December 31, 2021	14,302	12,818	2,402	18,840
December 31, 2022	13,587	12,876	2,156	17,889
December 31, 2023	9,715	9,399	1,554	12,836
December 31, 2024	6,397	6,227	1,053	8,488

Standardized Measure of Discounted Future Net Cash Inflows and Changes Therein

The following table presents a standardized measure of discounted future net cash flows relating to proved tight oil, natural gas and natural gas liquids, and the changes in standardized measure of discounted future net cash flows relating to proved tight oil, natural gas and natural gas liquids were prepared in accordance with the provisions of ASC 932 Extractive Activities— Oil and Gas. Future cash inflows were computed by applying prices of tight oil, natural gas and natural gas liquids, as outlined in the Pricing Assumptions section above, to estimated future production. Future production and development costs were computed by estimating the expenditures to be incurred in developing and producing the proved tight oil, natural gas and natural gas liquids reserves at the end of the year (including asset retirement costs), based on year-end costs and assuming a 2% annual inflation rate. Future income tax expenses were calculated by applying appropriate year-end tax rates to future pretax cash flows relating to proved crude oil and natural gas reserves, less the tax basis of properties involved and tax credits and loss carry forwards relating to tight oil, natural gas and natural gas liquids producing activities. Future net cash flows are then discounted at the rate of 10%. Actual future cash inflows may vary considerably, and the standardized measure does not represent the fair value of the Corporation's crude oil and natural gas reserves.

	FOR THE YEARS ENDED DECEMBER 31,		
(US$000s)	**2024**	**2023**	**2022**
Future Cash Inflows, Net of Royalties	$ 1,604,582	$ 1,991,352	$ 2,755,531
Future Production Costs	(747,434)	(585,276)	(789,919)
Future Development Costs	(120,770)	(167,751)	(200,722)
Future Income Tax Expense	(126,928)	(266,450)	(373,296)
Future Net Cash Inflows	$ 609,450	$ 971,875	$ 1,391,594
10% Annual Discount for Estimated Timing of Cash Flows	$ (297,170)	$ (486,532)	$ (280,116)
Standardized Measure of Discounted Future Net Cash Flows	$ 312,280	$ 485,343	$ 691,759

Changes in the Standardized Measure of Discounted Future Net Cash Flows at 10% per annum follow:

	DECEMBER 31,		
(US$000s)	**2024**	**2023**	**2022**
Beginning of Period	$ 485,343	$ 681,759	$ 596,345
Net Change in Prices and Production Costs	(186,434)	(131,822)	104,888
Net Change in Future Development Costs	16,585	5,418	7,586
Sales, Net of Royalties and Production Costs	(69,782)	(111,213)	(160,919)
Extensions	—	—	—
Acquisition of Reserves	—	14,687	31,323
Divestiture of Reserves	—	(225,273)	—
Revisions of Previous Quantity Estimates	(99,114)	90,345	37,520
Previously Estimated Development Costs Incurred	26,792	29,155	8,482
Net Change in Taxes	64,171	49,379	15,203
Accretion of Discount	60,844	75,297	78,402
Changes in Timing and Other	13,875	7,611	(37,071)
End of Period	$ 312,280	$ 485,343	$ 681,759

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On March 7, 2025 (the "Effective Date"), Vitesse Energy, Inc. ("Vitesse" or the "Company") and Lucero Energy Corp. ("Lucero") completed the arrangement contemplated by the Arrangement Agreement, dated as of December 15, 2024 (the "Arrangement Agreement"). Pursuant to the Arrangement Agreement, each Lucero shareholder received 0.01239 of a share of Vitesse common stock, in exchange for each Lucero common share held as of the Effective Date.

Vitesse and Lucero prepare their respective financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") as issued by the financial accounting standards board ("FASB") and international financial reporting standards ("IFRS") as issued by the International Accounting Standards Board, respectively. In accordance with FASB ASC 805, Business Combinations, Vitesse will be treated as the acquirer for accounting purposes and will account for the Arrangement as a business combination.

The unaudited pro forma combined balance sheet at December 31, 2024 was prepared as if the Arrangement had occurred on December 31, 2024. The unaudited pro forma combined statements of operations for the year ended December 31, 2024 were prepared as if the Arrangement had occurred on January 1, 2024. The unaudited pro forma combined financial statements have been derived from the historical consolidated financial statements of the Company and Lucero. The unaudited pro forma combined financial statements and underlying pro forma adjustments are based upon currently available information and include certain estimates and assumptions made by the Company's management; accordingly, actual results could differ materially from the pro forma information and should not be relied on as an indication of the future results of the Company.

Management believes that the assumptions used to prepare the unaudited pro forma combined financial statements and accompanying notes provide a reasonable and supportable basis for presenting the significant estimated effects of the Arrangement. The following unaudited pro forma combined statements of operations do not purport to represent what the Company's results of operations would have been if the Arrangement had occurred on January 1, 2024. The unaudited pro forma combined balance sheet does not purport to represent what the Company's financial position would have been if the Arrangement had occurred on December 31, 2024. The unaudited pro forma combined financial statements should be read together with the following:

(i) Company's audited historical consolidated financial statements and related notes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on March 12, 2025;

(ii) "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed with the SEC on March 12, 2025;

(iii) Lucero's audited historical consolidated financial statements and related notes filed herewith for the fiscal year ended December 31, 2024.

The unaudited pro forma combined financial statements have been prepared in accordance with SEC Regulation S-X Article 11 as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses," using assumptions set forth in the notes herein ("Article 11"). Article 11 permits presentation of reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). The Company has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma combined financial statements.

Vitesse Energy, Inc.
Pro Forma Combined Balance Sheet (Unaudited)
As of December 31, 2024

(in thousands)	As Reported	Lucero As Adjusted - Note 2	Transaction Accounting Adjustments – Note 3	Pro Forma Combined Vitesse
Assets				
Current Assets				
Cash and cash equivalents	$ 2,967	$ 60,629	$ (14,810) (b)	$ 48,786
Revenue receivable	39,788	7,657	—	47,445
Commodity derivatives	3,842	—	—	3,842
Prepaid expenses and other current assets	4,314	2,148	—	6,462
Total current assets	50,911	70,434	(14,810)	106,535
Oil and Gas Properties—Using the successful efforts method of accounting				
Proved oil and gas properties	1,315,566	590,285	(422,997) (a)	1,482,854
Less accumulated DD&A and impairment	(563,590)	(363,727)	363,727 (a)	(563,590)
Total oil and gas properties	751,976	226,558	(59,270)	919,264
Other Property and Equipment—Net	182	68	—	250
Other Assets				
Commodity derivatives	284	—	—	284
Other noncurrent assets	7,540	753	—	8,293
Total other assets	7,824	753	—	8,577
Total assets	$ 810,893	$ 297,813	$ (74,080)	$ 1,034,626
Liabilities and Equity				
Current Liabilities				
Accounts payable	$ 34,316	$ 3,623	$ —	$ 37,939
Accrued liabilities	65,714	22,018	4,087 (c)	91,819
Commodity derivatives	299	391	—	690
Other current liabilities	—	551	—	551
Total current liabilities	100,329	26,583	4,087	130,999
Long-term Liabilities				
Revolving credit facility	117,000	—	—	117,000
Deferred tax liability	72,001	6,450	(6,450) (d)	72,001
Asset retirement obligations	9,652	3,216	(522) (a)	12,346
Commodity derivatives	94	—	—	94
Other noncurrent liabilities	11,483	177	—	11,660
Total liabilities	$ 310,559	$ 36,426	$ (2,885)	$ 344,100
Commitments and Contingencies				
Equity				
Preferred stock	—	—	—	—
Common stock	326	280,020	(279,938) (a)	408
Warrants		1,439	(1,439) (a)	—
Additional paid-in capital	505,133	12,554	196,453 (a)	714,140
Accumulated (deficit) earnings	(5,125)	(73,762)	73,762 (a)	(24,022)
			(14,810) (b)	
			(4,087) (c)	
Accumulated other comprehensive income		41,136	(41,136) (a)	—
Total equity	500,334	261,387	(71,195)	690,526
Total liabilities and equity	$ 810,893	$ 297,813	$ (74,080)	$ 1,034,626

See notes to unaudited pro forma combined financial statements

Vitesse Energy, Inc.
Pro Forma Combined Statement of Operations (Unaudited)
Year Ended December 31, 2024

(In thousands except share data)	As Reported	Lucero As Adjusted - Note 2	Transaction Accounting Adjustments – Note 3	Pro Forma Combined Vitesse
Revenue				
Oil	$ 230,164	$ 101,074	$ —	$ 331,238
Natural gas	11,834	3,223	—	15,057
Total revenue	241,998	104,297	—	346,295
Operating Expenses				
Lease operating expense	47,599	24,822	—	72,421
Production taxes	21,500	9,696	—	31,196
General and administrative	23,510	13,135	4,087 (e)	40,732
Depletion, depreciation, amortization, and accretion	100,308	39,309	(12,866) (f)	126,751
Equity-based compensation	8,110	5,940		14,050
Impairment of oil and gas properties	—	172,280	(172,280) (g)	—
Total operating expenses	201,027	265,182	(181,059)	285,150
Operating Income (Expense)	40,971	(160,885)	181,059	61,145
Other (Expense) Income				
Commodity derivative loss, net	(2,348)	(407)	—	(2,755)
Interest expense	(9,980)	(1,797)	—	(11,777)
Other income	89	3,482	—	3,571
Total other (expense) income	(12,239)	1,278	—	(10,961)
Income Before Income Taxes	$ 28,732	$ (159,607)	$ 181,059	$ 50,184
(Provision for) Benefit from Income Taxes	(7,672)	35,197	(40,217) (h)	(12,692)
Net Income (Loss)	$ 21,060	$ (124,410)	$ 140,842	$ 37,492
Weighted average common shares outstanding – basic	30,040,035			38,209,874 (i)
Weighted average common shares outstanding – diluted	32,908,225			41,078,064 (i)
Net income per common share – basic	$ 0.70			$ 0.98 (i)
Net income per common share – diluted	$ 0.64			$ 0.91 (i)

See notes to unaudited pro forma combined financial statements

Notes to Unaudited Pro Forma Combined Financial Statements

Note 1—Basis of Presentation

The unaudited pro forma combined financial statements have been prepared in accordance with Article 11 using assumptions set forth in the notes herein. Article 11 permits presentation of reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur, otherwise known as Management's Adjustments. The Company has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma combined financial statements.

On March 7, 2025, the Arrangement was completed, and the Company issued 8,169,839 shares of common stock to Lucero shareholders. The Arrangement will be accounted for using the acquisition method of accounting using the accounting guidance in FASB ASC 805, Business Combinations, with Vitesse treated as the accounting acquirer. The Company's allocation of the preliminary purchase price with respect to the Arrangement is based on estimates of, and assumptions related to, the fair value of the assets acquired and liabilities assumed as of the Effective Date that were applied as if the transaction occurred on December 31, 2024. The Company intends to finalize the valuations and purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the closing date of the Arrangement. Accordingly, the pro forma adjustments are preliminary, have been made solely for the purpose of providing pro forma financial information and are subject to revision based on a final determination of fair value as of the closing date of the Arrangement. Differences between preliminary estimates and the final allocation of the consideration paid may have a material impact on the accompanying unaudited pro forma combined financial statements.

The unaudited pro forma combined balance sheet at December 31, 2024 was prepared as if the Arrangement had occurred on December 31, 2024. The unaudited pro forma combined statements of operations for the year ended December 31, 2024 were prepared as if the Arrangement had occurred on January 1, 2024. The unaudited pro forma combined financial statements have been derived from the historical consolidated financial statements of the Company and Lucero.

The unaudited pro forma combined financial statements and underlying pro forma adjustments are based upon currently available information and include certain estimates and assumptions made by management; accordingly, actual results could differ materially from the pro forma information. Management believes the assumptions provide a reasonable and supportable basis for presenting the estimated significant effects of the transactions described above. These unaudited pro forma combined financial statements are provided for illustrative purposes only and should not be relied upon as an indication of results in the future.

Note 2— Lucero Historical Financial Statements

Lucero historical balances were derived from Lucero's historical consolidated financial statements as described above which are presented in accordance with IFRS and are denominated in Canadian dollars (CAD). The historical balances have been adjusted to reflect certain reclassifications within Lucero's consolidated statements of operations and consolidated balance sheet categories to conform to Vitesse's presentation in its consolidated statements of operations and consolidated balance sheet. Additionally, these historical financial statements were adjusted from CAD to U.S. dollars (USD) and from IFRS to GAAP. Refer to Note 2A for additional consideration of the IFRS to GAAP adjustments.

Further review may identify additional reclassifications or adjustments that could have a material impact on the unaudited pro forma financial information of the combined company. The reclassifications and adjustments identified and presented in the unaudited pro forma financial information are based on discussions with Lucero's management, due diligence and information presented in Lucero's historical financial statements. As of the date of this report, Vitesse is not aware of any additional reclassifications or adjustments that would have a material impact on the unaudited pro forma financial information that are not reflected in the pro forma financial statements.

Lucero Balance Sheet (Unaudited)
As of December 31, 2024

Lucero Financial Statement Line	Vitesse Financial Statement Line	Lucero Historical (CAD)	Reclassification Adjustments	IFRS to U.S. GAAP Adjustments (Note 2A)	Currency Translation Adjustments (Note 2B)	Lucero As Adjusted
Assets						
Cash and cash equivalents	Cash and cash equivalents	$ 87,236	$ —	$ —	$ (26,607)	$ 60,629
Accounts receivable	Revenue receivable	13,154	(2,137) (i)	—	(3,360)	7,657
	Commodity derivatives		—	—	—	—
Prepaid expenses and deposits	Prepaid expenses and other current assets	953	2,137 (i)	—	(942)	2,148
Total current assets		101,343	—	—	(30,909)	70,434
	Oil and Gas Properties—Using the successful efforts method of accounting					
	Proved oil and gas properties		854,488 (ii)	(5,157) (a)	(259,046)	590,285
	Less accumulated DD&A and impairment		(523,347) (ii)		159,620	(363,727)
	Total oil and gas properties	—	331,141	(5,157)	(99,426)	226,558
	Other Property and Equipment—Net		98 (ii)	—	(30)	68
Property, plant and equipment		331,239	(331,239) (ii)	—	—	—
Restricted cash		230	(230) (iii)	—	—	—
Right of use assets		854	(854) (iii)	—	—	—
	Commodity derivatives		—	—	—	—
	Other noncurrent assets		1,084 (iii)	—	(331)	753
Total non-current assets	Total other assets	332,323	(331,141)	—	(361)	821
Total assets		$ 433,666	$ —	$ (5,157)	$ (130,696)	$ 297,813
Liabilities	**Liabilities and Equity**					
Accounts payable and accrued liabilities	Accounts payable	$ 36,893	$ (31,680) (iv)	$ —	$ (1,590)	$ 3,623
	Accrued liabilities		31,680 (iv)	—	(9,662)	22,018
	Commodity derivatives	563	—	—	(172)	391
Lease liability	Other current liabilities	793	—	—	(242)	551
Total current liabilities		38,249	—	—	(11,666)	26,583
	Credit facility		—	—	—	—
Deferred tax liability	Deferred tax liability	9,280	—	—	(2,830)	6,450
Decommissioning obligations	Asset retirement obligations	4,628	—	—	(1,412)	3,216
	Commodity derivatives		—	—	—	—
Lease liability	Other noncurrent liabilities	254	—	—	(77)	177
Total liabilities		$ 52,411	$ —	$ —	$ (15,985)	$ 36,426
Shareholders' Equity	**Equity**					
	Preferred stock		—	—	—	—
Common shares	Common stock	402,906	—	—	(122,886)	280,020
Warrants	Warrants	2,071	—	—	(632)	1,439
Contributed surplus	Additional paid-in capital	18,064	—	—	(5,510)	12,554
Retained earnings	Accumulated earnings (deficit)	(100,975)	—	(5,157) (a)	32,370	(73,762)
Accumulated other comprehensive income	Accumulated other comprehensive income	59,189	—	—	(18,053)	41,136
Total equity		381,255	—	(5,157)	(114,711)	261,387
Total liabilities and equity		$ 433,666	$ —	$ (5,157)	$ (130,696)	$ 297,813

(i) Represents the reclassification of balances contained in "Accounts receivable" on Lucero's historical balance sheet into "Prepaid expenses and other current assets" to conform to the Company's balance sheet presentation.

(ii) Represents the reclassification of balances contained in "Property, plant and equipment" on Lucero's historical balance sheet into "Proved oil and gas properties," "Less accumulated DD&A and impairment" and "Other Property and Equipment—Net" to conform to the Company's balance sheet presentation.

(iii) Represents the reclassification of balances contained in "Restricted cash" and "Right of use assets" on Lucero's historical balance sheet into "Other noncurrent assets" to conform to the Company's balance sheet presentation.

(iv) Represents the reclassification of balances contained in "Accounts payable and accrued liabilities" on Lucero's historical balance sheet into "Accounts payable" and "Accrued liabilities" to conform to the Company's balance sheet presentation.

Lucero Statement of Operations (Unaudited)
Year Ended December 31, 2024

Lucero Financial Statement Line	Vitesse Financial Statement Line	Lucero Historical (CAD)	Reclassification Adjustments		IFRS to U.S. GAAP Adjustments (2A)		Currency Translation Adjustments (Note 2B)	Lucero As Adjusted (Note 2B)
Revenues	**Revenue**							
	Oil	$ —	$ 166,046	(i)	$ —		$ (37,384)	$ 101,074
			(27,588)	(ii)				
	Natural gas	—	5,294	(i)	—		(1,192)	$ 3,223
			(880)	(ii)				
Petroleum and natural gas revenues		171,340	(171,340)	(i)	—		—	—
Royalties		(28,468)	28,468	(ii)	—		—	—
Unrealized gain (loss) on financial derivatives	Commodity derivative gain, net	(557)	557	(iii)	—		—	—
Petroleum and natural gas revenues, net of royalties and derivatives	**Total revenue**	142,315	557		—		(38,575)	104,297
Expenses	**Operating Expenses**							
Operating	Lease operating expense	28,435	5,568	(iv)	—		(9,181)	24,822
Transportation		5,568	(5,568)	(iv)				
Production taxes	Production taxes	13,282	—		—		(3,586)	9,696
General and administrative	General and administrative	6,654	9,035	(v)	2,304	(a)	(4,858)	13,135
Transaction related costs		9,035	(9,035)	(v)				
Finance		(2,137)	4,770	(vi)				
			(2,461)	(vi)				
			(172)	(vi)				
Depletion and depreciation	Depletion, depreciation, amortization, and accretion	53,676	172	(vi)	—		(14,539)	39,309
Share-based compensation	Equity-based compensation	5,284	—		2,853	(a)	(2,197)	5,940
Impairment	Impairment of oil and gas properties	236,000	—				(63,720)	172,280
	Total operating expenses	355,797	2,309		5,157		(98,081)	265,182
	Operating Income	(213,482)	(1,752)		(5,157)		59,506	(160,885)
	Other (Expense) Income							
	Commodity derivative loss, net	—	(557)	(iii)	—		150	(407)
	Interest expense	—	(2,461)	(vi)	—		664	(1,797)
	Other income	—	4,770	(vi)	—		(1,288)	3,482
	Total other (expense) income	—	1,752		—		(474)	1,278
Income before income taxes	**Income Before Income Taxes**	$ (213,482)	$ —		$ (5,157)		$ 59,032	$ (159,607)
Deferred income tax expense	(Provision for) Benefit from Income Taxes	48,215	—		—		(13,018)	35,197
	Net Income	$ (165,267)	$ —		$ (5,157)		$ 46,014	$ (124,410)
Currency translation adjustment		43,446	—		—		(43,446)	—
Comprehensive income		$ (121,821)	$ —		$ (5,157)		$ 2,568	$ (124,410)

(i) Represents the reclassification of balances contained in "Petroleum and natural gas revenues" on Lucero's historical statements of operations into "Oil" and "Natural gas" to conform to the Company's presentation.

(ii) Represents the reclassification of balances contained in "Royalties" on Lucero's historical statements of operations into "Oil" and "Natural gas" to conform to the Company's presentation.

(iii) Represents the reclassification of balances contained in "Unrealized gain (loss) on financial derivatives" on Lucero's historical statements of operations into "Commodity derivative loss, net" to conform to the Company's presentation.

(iv) Represents the reclassification of balances contained in "Transportation" on Lucero's historical statements of operations into "Lease operating expenses" to conform to the Company's presentation.

(v) Represents the reclassification of balances contained in "Transaction related costs" on Lucero's historical statements of operations into "General and administrative" to conform to the Company's presentation.

(vi) Represents the reclassification of balances contained in "Finance" on Lucero's historical statements of operations into "Other income," "Interest expense" and "Depletion, depreciation, amortization and accretion" to conform to the Company's presentation.

Note 2A—IFRS to U.S. GAAP Adjustments

Oil and Gas Properties

Under GAAP using the successful efforts method of oil and gas accounting used by the Company, costs associated with the acquisition, drilling and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvage values, on the basis of a reasonable aggregation of properties within a common geological structural feature or stratigraphic condition, such as a reservoir or field. These costs are depleted using the unit-of-production method based upon production and estimates of proved reserve quantities as determined in conformity with SEC Regulation S-X Rule 4-10.

Within the historical Lucero financial statements, all costs related to the exploration and development of oil and natural gas properties are capitalized into a single cost center. Further, internal costs are capitalized when directly attributable to acquisition, exploration and development activities. Under IFRS, these costs are depleted using the unit-of-production method based upon production and estimates of proved and probable reserve quantities as determined in accordance with guidelines specified in NI 51-101, as adopted by the Canadian Securities Administrators, and the Canadian Oil and Gas Evaluations ("COGE") Handbook.

Based on our analysis we determined that Lucero capitalizes to oil and gas properties certain directly attributable general and administrative costs, including share-based compensation, associated with employees and consultants involved in acquiring licenses or other approvals and drilling, completion, and construction activities on Lucero's operated lands. As these costs would not be capitalized under the GAAP successful efforts method of accounting, these costs were expensed:

(a) Represents the adjustment to expense certain historical costs originally capitalized to oil and gas properties by Lucero under IFRS to align with GAAP (successful efforts method of accounting) during the year ended December 31, 2024.

Lucero's historical depletion expense would be higher under the successful efforts method of accounting because of differences in how oil and natural gas reserve quantities are determined between the two accounting frameworks. For example, oil and natural gas reserves are determined in accordance with GAAP using a simple average of beginning-of-month commodity prices over the past twelve months. Additionally, such reserves are limited to only proved reserves, with further limitations to the quantities associated with proved undeveloped reserves to a five-year development horizon. In contrast, oil and natural gas reserves determined in accordance with IFRS do not limit proved undeveloped reserves to a five-year development horizon, and allow for the inclusion of probable reserves.

However, we do not possess the information to recompute the cumulative impact of these differences since the inception of Lucero, and such differences would be further impacted by property sales and purchases throughout the life of Lucero. Accordingly, the pro forma balance sheet does not reflect any adjustment for such differences. Additionally, as reflected in the Transaction Accounting Adjustments to the pro forma financial statements (Note 3), the oil and natural gas properties of Lucero will be recorded by Vitesse at their respective fair values as of the closing date of the Arrangement. Accordingly, the historical cost basis of the oil and natural gas properties of Lucero has been eliminated and replaced with the estimated fair value of the oil and natural gas properties.

In the unaudited pro forma combined statement of operations, depletion expense was estimated using the successful efforts method of oil and natural gas accounting based on the estimated fair value of the oil and gas properties determined in Note 3(a). For the year ended December 31, 2024, refer to Note 3(a) and (f) for additional information.

Impairment of Long-Lived Assets

Under both GAAP and IFRS, long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amounts may be impaired. Under GAAP, the asset group is first tested for recoverability by determining if its carrying amount exceeds the expected future cash flows from the asset group on an undiscounted basis. If the asset group is determined to not be recoverable, an impairment expense is recorded for the excess of the asset group's carrying amount over its fair value. Further, future reversal of a previously recognized impairment loss is prohibited.

Under IFRS, when an impairment indicator is determined to exist, an impairment expense is recorded for the excess of the cash generating unit carrying amount over the greater of its fair value less costs of disposal and its value in use. Impairment expense previously recorded is reversible in subsequent periods under certain conditions.

During the year ended December 31, 2024, Lucero impaired oil and gas properties for $172.3 million. In connection with the preliminary purchase price allocation, the Company estimated fair value of the oil and gas properties determined in Note 3(a). Accordingly, the Company has elected not to adjust Lucero's oil and gas properties and impairment expense on its historical balance sheet and income statement, respectively, as it will be re-adjusted in Note 3 under GAAP.

Asset Retirement Obligations

Under GAAP, the initial recognition of the asset retirement obligations is based on the fair value of the asset retirement obligations, generally utilizing a present value technique to estimate the liability and discounted at a credit-adjusted risk-free interest rate. Subsequently, period-to-period revisions to either the timing or amount of the original estimate of undiscounted cash flows are treated as separate layers of the obligation.

Under IFRS, asset retirement obligations are generally measured as the best estimate of the expenditure to settle the obligation utilizing a present value technique to estimate the liability, discounted at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Subsequently, period-to-period revisions for changes in the estimate of expected undiscounted cash flows or discount rate is remeasured for the entire obligation by using an updated discount rate that reflects current market conditions as of the balance sheet date.

Based on our analysis we determined the differences between the two accounting frameworks with respect to asset retirement obligations are not material to the unaudited pro forma financial information as the differences between discount rates used would not materially impact either recorded balance sheet accounts or periodic accretion expense. This is in part due to the long lives associated with the assets and the minor differences between historical rates. In addition, upon consummation of the Arrangement, asset retirement obligations will be recorded at estimated fair value as indicated in the preliminary purchase accounting reflected in Note 3.

Other Adjustments

No other significant differences between IFRS, as applied by Lucero, and GAAP were identified based on the information available from discussions with Lucero's management and review of publicly available information. Further review may identify additional adjustments that could have a material impact on the unaudited pro forma financial information of the combined company.

Note 2B—Currency Translation Adjustments

Currency translation adjustments to convert Lucero's balance sheet and income statement were calculated according to the following table:

Foreign currency translation rates	**USD/CAD**
Balance Sheet as of December 31, 2024 (ending period exchange rate)	0.6950
Statement of Operations for the year ended December 31, 2024 (average period exchange rate)	0.7300

Note 3—Purchase Accounting and Pro Forma Adjustments

Balance Sheet

The unaudited pro forma combined balance sheet at December 31, 2024 reflects the following adjustments:

(a) As the accounting acquirer, Vitesse will account for the Arrangement using the acquisition method of accounting for business combinations in accordance with ASC 805. Vitesse's allocation of the preliminary estimated purchase price with respect to the Arrangement is based on estimates of, and assumptions related to, the fair value of assets to be acquired and liabilities to be assumed as of December 31, 2024, using currently available information. Because the unaudited pro forma combined financial statements have been prepared based on these preliminary estimates, the final purchase price allocation and the resulting effect on the financial position and results of operations of the combined company may be materially different from the pro forma amounts included herein. Vitesse expects to finalize the purchase price allocation as soon as reasonably practical, which will not extend beyond the one-year measurement period provided under ASC 805.

The preliminary purchase price allocation is subject to change due to several factors, including, but not limiting to, the following:

- Changes in the estimated fair value of Lucero' identifiable assets acquired and liabilities assumed as of the closing date of the Arrangement, which could result from changes in oil and natural gas commodity prices, reserve estimates, discount rates and other factors; and
- The tax basis of Lucero's assets and liabilities as of the closing date of the Arrangement.

The table below represent the preliminary value of the consideration and its allocation to the net assets acquired (in thousands, except share and per share amounts).

Common stock issued to acquire Lucero (includes settlement of warrants and equity awards)		8,169,839
Vitesse closing stock price on March 6, 2025	$	23.78
Arrangement consideration	$	194,279

		Preliminary Purchase Price Allocation
Assets Acquired		
Cash and cash equivalents (see Note 3(b))	$	45,819
Revenue receivable		7,657
Prepaid expenses and other current assets		2,148
Proved oil and gas properties		167,288
Other Property and Equipment—Net		68
Other noncurrent assets		753
Total assets acquired		223,733
Liabilities Assumed		
Accounts payable		3,623
Accrued liabilities		22,018
Commodity derivatives		391
Other current liabilities		551
Deferred tax liability		—
Asset retirement obligations		2,694
Other noncurrent liabilities		177
Total liabilities assumed		29,454
Net Assets Acquired	$	194,279

(b) Represents $14.8 million in transaction-related costs incurred or expected to be incurred by Lucero prior to the Arrangement closing. These costs are nonrecurring and will not affect Vitesse's statement of operations beyond 12 months after the Closing. These transaction-related costs are preliminary estimates; the final amounts and the resulting effect to purchase accounting in Note 3(a) may differ significantly.

(c) Represents $4.1 million of transaction costs incurred or expected to be incurred by Vitesse subsequent to December 31, 2024. These transaction costs are preliminary estimates; the final amounts and the resulting effect on Vitesse's results of operations may differ significantly. These costs are nonrecurring and will not affect Vitesse's statement of operations beyond 12 months after the closing.

(d) Based on the Company's preliminary understanding of Lucero's U.S. tax basis, the largest driver of the net deferred tax liability is book to tax differences in oil and gas properties in excess of deferred tax assets primarily derived from NOL carryforwards. The lower book basis of oil and gas properties in Note 3(a) as compared to Lucero's book basis may therefore result in a net deferred tax asset. The Company has elected to not recognize a deferred tax asset or liability in the pro forma at this time due to uncertainty in the underlying book and tax bases and potential limitations. Deferred taxes and the resulting effect to purchase accounting in Note 3(a) may differ significantly.

Statement of Operations

The unaudited pro forma combined statement of operations for the year ended December 31, 2024 reflects the following adjustments:

(e) Represents $4.1 million of transaction costs incurred or expected to be incurred by Vitesse subsequent to December 31, 2024. These transaction costs are preliminary estimates; the final amounts and the resulting effect on Vitesse's results of operations may differ significantly. These costs are nonrecurring and will not affect Vitesse's statement of operations beyond 12 months after the closing.

(f) Represents the depletion, depreciation, amortization, and accretion expense related to the assets acquired in the Arrangement, which is based on the preliminary purchase price allocation. Depletion was calculated using the unit-of-production method under the successful efforts method of accounting, based on proved reserves. The depletion expense was adjusted for (i) the revision to the depletion rate based on the proved oil and gas properties and the reserve volumes attributable to the acquired oil and gas properties and (ii) the difference in depletion methodology under the successful efforts method of accounting applied by Vitesse compared to the method of accounting applied by Lucero. This adjustment does not include an adjustment to accretion expense attributable to asset retirement obligations as Vitesse's higher credit-adjusted risk-free rate relative to Lucero's risk-free rate had an immaterial impact.

(g) Represents the reversal of impairment expense recorded on Lucero's historical statement of operations. As the Arrangement is being reflected in the unaudited pro forma combined statement of operations for the year ended December 31, 2024 as if it had occurred on January 1, 2024, the Company would have recorded oil and gas properties at fair value on January 1, 2024, and thus would not have recorded impairment expense during the year ended December 31, 2024.

(h) Represents the estimated income tax impact of the pro forma adjustments from the Arrangement. An estimated combined statutory rate of 23.4% was applied to Lucero's (As Adjusted) and Transaction Accounting Adjustments net pre-tax income. Because the tax rates used for these unaudited pro forma combined financial statements are an estimate, the blended rate will likely vary from the actual effective rate in periods subsequent to the completion of the Arrangement.

(i) The table below represents the calculation of the weighted average shares outstanding and earnings per share included in the unaudited pro forma combined statement of operations for the year ended December 31, 2024. As the Arrangement is being reflected in the unaudited pro forma combined statement of operations for the year ended December 31, 2024 as if it had occurred on January 1, 2024, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares issued pursuant to the Arrangement have been outstanding for the entire year.

(In thousands, except share and per share data)		**Year Ended December 31, 2024**
Pro forma net income	$	37,492
Basic shares:		
Weighted average Vitesse shares outstanding		30,040,035
Vitesse shares issued to acquire Lucero		8,169,839
Pro forma weighted average common shares outstanding – basic		38,209,874
Diluted shares:		
Pro forma weighted average common shares outstanding – basic		38,209,874
Dilutive effect of Vitesse equity awards		2,868,190
Pro forma weighted average common shares outstanding – diluted		41,078,064
Net income per common share – basic	$	0.98
Net income per common share – diluted	$	0.91

Note 4—Supplemental Pro Forma Oil and Natural Gas Reserves Information

The following tables present the combined net proved developed and undeveloped oil and natural gas reserves as of December 31, 2024, along with a summary of changes in quantities of net remaining proved reserves during the year ended December 31, 2024. The combined reserve information set forth below gives effect to the Arrangement as if it had occurred on January 1, 2024.

The disclosures below are derived from the "Oil and Natural Gas Reserve Data" for the year ended December 31, 2024 reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024. Lucero's historical reserves were adjusted to comply with SEC rules and prepared as if the Arrangement occurred on January 1, 2024. Because the following combined reserve information has been prepared based upon preliminary estimates, the impact of the Arrangement and the timing thereof could cause material differences from the information presented herein.

	Oil (MBbl)		
	Vitesse Historical	Lucero Historical	Pro Forma Combined
Proved Developed and Undeveloped Reserves at December 31, 2023	27,743	10,350	38,093
Revisions of Previous Estimates	(3,265)	(27)	(3,292)
Extensions, Discoveries and Other Additions	5,213	—	5,213
Acquisition of Reserves	955	—	955
Production	(3,291)	(1,340)	(4,631)
Proved Developed and Undeveloped Reserves at December 31, 2024	27,355	8,983	36,338
Proved Developed Reserves:			
December 31, 2023	18,440	6,187	24,627
December 31, 2024	17,431	5,962	23,393
Proved Undeveloped Reserves:			
December 31, 2023	9,303	4,163	13,466
December 31, 2024	9,924	3,021	12,945

	Natural Gas (MMcf)		
	Vitesse Historical	Lucero Historical	Pro Forma Combined
Proved Developed and Undeveloped Reserves at December 31, 2023	77,110	45,041	122,151
Revisions of Previous Estimates	(3,775)	(119)	(3,894)
Extensions, Discoveries and Other Additions	9,663	—	9,663
Acquisition of Reserves	3,375	—	3,375
Production	(8,809)	(5,468)	(14,277)
Proved Developed and Undeveloped Reserves at December 31, 2024	77,564	39,454	117,018
Proved Developed Reserves:			
December 31, 2023	60,202	29,570	89,772
December 31, 2024	58,885	32,762	91,647
Proved Undeveloped Reserves:			
December 31, 2023	16,907	15,471	32,378
December 31, 2024	18,679	6,692	25,371

	Combined (MBoe)		
	Vitesse Historical	Lucero Historical	Pro Forma Combined
Proved Developed and Undeveloped Reserves at December 31, 2023	40,595	17,857	58,452
Revisions of Previous Estimates	(3,894)	(47)	(3,941)
Extensions, Discoveries and Other Additions	6,823	—	6,823
Acquisition of Reserves	1,518	—	1,518
Production	(4,759)	(2,252)	(7,011)
Proved Developed and Undeveloped Reserves at December 31, 2024	40,283	15,558	55,841
Proved Developed Reserves:			
December 31, 2023	28,474	11,115	39,589
December 31, 2024	27,245	11,422	38,667
Proved Undeveloped Reserves:			
December 31, 2023	12,121	6,742	18,863
December 31, 2024	13,038	4,136	17,174

The combined Standardized Measure related to proved oil and natural gas reserves as of December 31, 2024 is as follows:

(in thousands)	Vitesse Historical	Lucero Historical	Pro Forma Combined
Future Cash Inflows	$ 2,017,412	$ 721,036	$ 2,738,448
Future Production Costs	(814,346)	(278,063)	(1,092,409)
Future Development Costs	(239,928)	(75,257)	(315,185)
Future Income Tax Expense	(127,868)	(40,661)	(168,529)
Future Net Cash Inflows	$ 835,270	$ 327,055	$ 1,162,325
10% Annual Discount for Estimated Timing of Cash Flows	$ (328,939)	$ (129,675)	$ (458,614)
Standardized Measure of Discounted Future Net Cash Flows	$ 506,331	$ 197,380	$ 703,711

Changes in the combined Standardized Measure of Discounted Future Net Cash Flows at 10% for the year ended December 31, 2024 are as follows:

(in thousands)	Vitesse Historical	Lucero Historical	Pro Forma Combined
Beginning of Period	$ 575,691	$ 254,182	$ 829,873
Sales of Oil and Natural Gas Produced, Net of Production Costs	(172,899)	(69,782)	(242,681)
Extensions and Discoveries	85,506	—	85,506
Previously Estimated Development Cost Incurred During the Period	58,172	—	58,172
Net Change of Prices and Production Costs	(105,949)	(26,807)	(132,756)
Change in Future Development Costs	10,161	5,141	15,302
Revisions of Quantity and Timing Estimates	(67,528)	(915)	(68,443)
Accretion of Discount	68,207	29,018	97,225
Change in Income Taxes	26,121	13,685	39,806
Purchases of Minerals in Place	26,071	—	26,071
Other	2,778	(7,142)	(4,364)
End of Period	$ 506,331	$ 197,380	$ 703,711