LUCERO ENERGY CORP. ANNOUNCES FOURTH QUARTER AND YEAR-END 2023 FINANCIAL & OPERATING RESULTS AND REPORTS YEAR-END 2023 RESERVES

CALGARY, ALBERTA, March 21, 2024 – Lucero Energy Corp. (**"Lucero"** or the **"Company"**) (TSXV: LOU, OTCQB: PSHIF) is pleased to announce financial and operating results for the three months and year ended December 31, 2023, and to provide 2023 year-end reserves information. The associated Management's Discussion and Analysis (**"MD&A"**) and audited financial statements as at and for the year ended December 31, 2023 can be found at *www.lucerocorp.com*.

All dollar amounts in this news release are stated in Canadian dollars unless otherwise noted.

Highlights	Three months ended			Year ended	
(in thousands, except per share data)	**December 31 2023**	September 30 2023	December 31 2022	**December 31 2023**	December 31 2022
Financial					
Funds flow[1]	**$33,976**	$32,860	$36,998	**$138,008**	$147,058
Per share basic	**$0.05**	$0.05	$0.06	**$0.21**	$0.23
Per share diluted	**$0.05**	$0.05	$0.06	**$0.21**	$0.22
Adjusted funds flow[1]	**$33,976**	$32,860	$36,998	**$140,462**	$149,158
Per share basic	**$0.05**	$0.05	$0.06	**$0.21**	$0.23
Per share diluted	**$0.05**	$0.05	$0.06	**$0.21**	$0.22
Adjusted EBITDA[1]	**$33,552**	$32,286	$38,708	**$139,963**	$154,212
Per share basic	**$0.05**	$0.05	$0.06	**$0.21**	$0.24
Per share diluted	**$0.05**	$0.05	$0.06	**$0.21**	$0.23
Cash provided by operating activities	**$32,235**	$26,396	$41,903	**$136,732**	$172,570
Net income	**$16,882**	$13,319	$18,995	**$59,272**	$80,519
Per share basic	**$0.03**	$0.02	$0.03	**$0.09**	$0.12
Per share diluted	**$0.03**	$0.02	$0.03	**$0.09**	$0.12
Exploration and development expenditures[1]	**$3,731**	$16,069	$16,560	**$80,916**	$59,924
Property acquisitions	**-**	-	-	**$6,339**	$8,858
Property dispositions	**$4,227**	-	-	**$130,453**	-
Working capital (net debt)[1]	**$82,591**	$52,638	($77,426)	**$82,591**	($77,426)
Common shares					
Shares outstanding, end of period	**648,671**	651,091	662,411	**648,671**	662,411
Weighted average shares (basic)	**649,984**	658,521	662,411	**658,298**	648,842
Weighted average shares (diluted)	**674,271**	681,140	672,207	**672,763**	672,010
Operations					
Production					
Tight oil (Bbls per day)	**5,630**	5,527	6,326	**6,172**	6,564
Shale gas (Mcf per day)	**11,980**	11,841	13,218	**12,180**	12,207
Natural gas liquids (Bbls per day)	**2,382**	2,406	2,480	**2,466**	2,275
Barrels of oil equivalent (Boepd, 6:1)	**10,009**	9,907	11,009	**10,668**	10,874
Average realized price					
Tight oil ($ per Bbl)	**$107.26**	$110.73	$114.49	**$105.63**	$124.12
Shale gas ($ per Mcf)	**$1.51**	$1.06	$5.34	**$2.50**	$5.93
Natural gas liquids ($ per Bbl)	**$6.69**	($1.94)	$13.25	**$5.70**	$22.61
Barrels of oil equivalent ($ per Boe, 6:1)	**$63.73**	$62.57	$75.18	**$65.28**	$86.32
Operating netback per Boe (6:1)					
Operating netback[1]	**$38.30**	$37.75	$40.07	**$38.54**	$41.23
Operating netback (prior to hedging)[1]	**$38.30**	$37.75	$44.07	**$38.54**	$52.81
Funds flow netback per Boe (6:1)					
Funds flow[1]	**$36.90**	$36.05	$36.53	**$35.44**	$37.05
Adjusted funds flow[1]	**$36.90**	$36.05	$36.53	**$36.07**	$37.58

[1] Management uses these non-GAAP financial measures to analyze operating performance, leverage and investing activity. These measures do not have a standardized meaning under GAAP and therefore may not be comparable with the calculation of similar measures for other companies. See Non-GAAP Measures within this document for additional information.

MESSAGE TO SHAREHOLDERS

The progress and results achieved by Lucero throughout 2023 reflect the Company's disciplined capital allocation strategy, responsible operations and commitment to maintaining financial flexibility to pursue opportunities for shareholder value enhancement. Lucero successfully executed the Company's 2023 capital program safely and on budget, investing $80.9 million in exploration and development, focused on maintaining production stability. Lucero continues to maintain a corporate production decline profile at approximately 30% which helps support sustainable development and full-cycle profitability. During the year, the Company generated funds flow of $138 million ($0.21 per diluted share), and $59.3 million of net income ($0.09 per diluted share) while navigating ongoing volatility and a weaker commodity price environment. Lucero successfully generated free funds flow[1] of $30.2 million in the fourth quarter, and $57.1 million for the year, a testament to the Company's prudent cost structure and capital efficient asset base.

The majority of Lucero's 2023 capital program was executed within the first nine months of the year, leading to a modest $3.7 million of exploration and development expenditures through the fourth quarter which resulted in the Company successfully concluding the capital program on budget. Strong well results and solid performance from the Company's focused North Dakota Bakken/Three Forks asset base drove average fourth quarter production of 10,009 Boepd[2], on target with the Company's guidance. Full year volumes averaged 10,668 Boepd[3], reflecting annual organic production growth of 13%, and realized reserves growth across all categories after normalizing for the impact of a non-core asset disposition.

Lucero continued to focus on portfolio optimization over the past year, resulting in the strategic disposition of non-core and non-operated assets in June of 2023 which commanded premium market metrics (the **"Disposition"** and **"Disposed Assets"**), and provided the Company with cash consideration of $130.5 million after closing adjustments. While production volumes from the Disposed Assets represented approximately 20% of Lucero's corporate volumes, or approximately 2,300 Boepd, the Company continued to demonstrate production stability with only a 2% decline in year over year average volumes. This transaction demonstrated true value creation for shareholders, and when combined with Lucero's operational success in 2023, enabled the Company to eliminate all debt as at year-end, exiting the year with positive $82.6 million of working capital.

In light of the strong balance sheet and positive net earnings, Lucero returned 24% of the Company's free funds flow in 2023 to shareholders through a Normal Course Issuer Bid (the **"NCIB"**). By year end 2023, $13.5 million of value had been returned to shareholders through the purchase and cancellation of 21.6 million common shares of the Company ("**Common Shares**"), or approximately 3% of total Common Shares outstanding as at the commencement of the NCIB. Lucero achieved this return of capital while maintaining a payout ratio[1] of less than 70 percent. Looking ahead, the Company's robust financial position affords the Company flexibility to drive Lucero's continued growth while pursuing initiatives aimed at further enhancing shareholder value, such as accretive acquisitions, organic production growth and/or returning additional capital to shareholders through share buybacks.

2023 HIGHLIGHTS

Lucero's achievements during the fourth quarter and year-ended December 31, 2023 reflect the Disposition and include the following:

Fourth quarter:

- 10,009 Boepd average production, compared to 9,907 Boepd in the third quarter of 2023 and 11,009 Boepd in the fourth quarter of 2022;
- $34.0 million of funds flow, compared to $32.9 million in the previous quarter and $37.0 million in the fourth quarter of 2022;
- $0.05 per share of funds flow, consistent with the third quarter of 2023 and $0.06 per share in the fourth quarter of 2022;
- $38.30 per Boe average operating netback, compared to $37.75 per Boe in the previous quarter and $40.07 per Boe in the fourth quarter of 2022;
- $30.2 million free funds flow, after spending $3.7 million in exploration and development expenditures; and
- $82.6 million of working capital at December 31, 2023, compared to working capital of $52.6 million at the end of the third quarter of 2023 and net debt of $77.4 million at December 31, 2022.

Full year:

- 10,668 Boepd of average production, 2% lower than 10,874 Boepd in 2022, despite selling approx. 20 percent of the Company's production;
- $138.0 million of funds flow, a 6% decrease compared to $147.1 million in 2022;
- $38.54 per Boe average operating netback, a 7% decrease compared to $41.23 per Boe in 2022;
- $80.9 million of exploration and development expenditures, allocated to the successful drilling of five (4.3 net) wells and the completion of six (5.5 net) wells[4], exiting 2023 with two (1.7 net) wells that were drilled but uncompleted ("DUCs");
- PDP, TP and P+P reserves growth of 10%, 4% and 3%, respectively (normalizing for the Disposition);
- PDP, TP and P+P production replacement ratios[5] of 143%, 125% and 119%, respectively (normalizing for acquisitions and the Disposition);
- $59.3 million of net income ($0.09 per share basic and diluted); and
- Returning $13.5 million to shareholders through the purchase and cancellation of 21.6 million Common Shares.

[1] See "Non-GAAP Measures" within this press release.
[2] 56% light oil, 24% NGL and 20% conventional natural gas.
[3] 58% light oil, 23% NGL and 19% conventional natural gas.
[4] Including three (2.97 net) DUCs carried over into 2023 from 2022.
[5] See "Oil and Gas Disclosures" within this press release.

RESERVES

In this press release, all references to reserves are to gross Company reserves, meaning Lucero's working interest reserves before deductions of royalties and before consideration of Lucero's royalty interests. The reserves were evaluated by Netherland, Sewell & Associates, Inc. (**"NSAI"**) in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (**"NI 51-101"**) effective December 31, 2023. Lucero's Annual Information Form for the year ended December 31, 2023 (the **"AIF"**) will contain Lucero's reserves data and other oil and natural gas information as mandated by NI 51-101. Lucero expects to file the AIF on SEDAR+ by March 31, 2024.

The following tables are a summary of Lucero's petroleum and natural gas reserves, as evaluated by NSAI, effective December 31, 2023. As a reporting issuer in Canada, Lucero is required to report its reserves and net present value estimates using forecast pricing and costs, as stipulated under NI 51-101. The forecast prices reflected in the net present values are based on an average of the price decks of three independent engineering firms (GLJ Ltd., Sproule Associates Limited and McDaniel & Associates Consultants Ltd.). It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of our crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. It is important to note that the recovery and reserves estimates provided herein are estimates only. Actual reserves may be greater or less than the estimates provided herein. Reserves information may not add due to rounding.

Reserves Summary

	Tight Oil (Mbbl)	**Shale Gas** (MMcf)	**NGLs** (Mbbl)	**Total Oil Equivalent** (Mboe)
Proved				
Developed Producing	12,808	32,168	6,359	24,529
Developed Non-Producing	729	1,457	287	1,259
Undeveloped	11,865	11,454	1,879	15,653
Total Proved	25,402	45,079	8,525	41,441
Probable	8,659	15,558	3,174	14,426
Total Proved plus Probable	34,061	60,636	11,699	55,867

Net Present Value of Future Net Revenue (in Canadian dollars)

	Before Future Income Tax Expenses and Discounted at				
	0% (C$MM)	5% (C$MM)	10% (C$MM)	15% (C$MM)	20% (C$MM)
Proved					
Developed Producing	915	619	469	382	325
Developed Non-Producing	52	37	30	25	22
Undeveloped	671	430	306	231	183
Total Proved	1,638	1,086	805	639	530
Probable	651	385	264	197	156
Total Proved plus Probable	2,289	1,471	1,068	836	686

Values have been converted to Canadian dollars using the year-end 2023 exchange rate of US$1.00 = C$1.3226

Net Present Value of Future Net Revenue (in US dollars)

	Before Future Income Tax Expenses and Discounted at				
	0% (US$MM)	5% (US$MM)	10% (US$MM)	15% (US$MM)	20% (US$MM)
Proved					
Developed Producing	692	468	355	289	246
Developed Non-Producing	39	28	23	19	17
Undeveloped	507	325	231	175	138
Total Proved	1,238	821	608	483	401
Probable	492	291	199	149	118
Total Proved plus Probable	1,731	1,112	808	632	519

Finding, Development, and Acquisition Costs

	Finding, Development & Acquisition ("FD&A")[1]			Finding & Development ("F&D")[1]		
	PDP	Total Proved	Total Proved plus Probable	PDP	Total Proved	Total Proved Plus Probable
Capital Costs (C$000s)						
Exploration and development expenditures	$80,916	$80,916	$80,916	$80,916	$80,916	$80,916
Acquisitions	6,339	6,339	6,339	-	-	-
Dispositions	(130,453)	(130,453)	(130,453)	-	-	-
Change in future development capital (**"FDC"**)	(2,176)	(41,374)	(66,465)	(2,176)	2,186	1,996
Total FD&A / F&D costs	($45,374)	($84,572)	($109,663)	$78,740	$83,102	$82,912
Reserves Additions (Mboe)						
Net change in reserve volumes	1,550	929	698	1,550	929	698
Add back production	3,894	3,894	3,894	3,852	3,852	3,852
Reserves associated with acquisitions	639	639	825	-	-	-
Reserves associated with dispositions	(8,570)	(13,995)	(19,170)	-	-	-
Total additions	(2,487)	(8,533)	(13,753)	5,402	4,781	4,550
F&D (C$/Boe)	$18.24	$9.91	$7.97	$14.58	$17.38	$18.22
Three year F&D (C$/Boe)[2]	$9.04	$13.57	$7.63	$11.70	$12.07	$11.55
Recycle ratio[3]	2.1	3.9	4.8	2.6	2.2	2.1

1 *The calculation of F&D and FD&A costs incorporates the change in FDC required to bring proved undeveloped and probable reserves into production. The FDC was converted to Canadian dollars using the average 2023 exchange rate of US$1.00 = C$1.3497. See also "Non-GAAP Measures".*

2 *Calculation of the three year FD&A and F&D costs per Boe reflect the sum of capital costs and net reserve additions for the years 2021 through 2023.*

3 *Recycle ratio is defined as 2023's operating netback prior to hedging, divided by F&D or FD&A costs, as applicable, on a per Boe basis. Operating netback prior to hedging is calculated as revenue (excluding realized gain or loss on financial derivatives) minus royalties, operating expenses, production taxes and transportation expenses. Lucero's operating netback prior to hedging in 2023 averaged $38.54 per Boe. See also "Non-GAAP Measures".*

Net Asset Value per Share as at December 31, 2023

(C$ millions except share and per share amounts)	
Proved Plus Probable reserve value (NPV10 before tax)	$1,068
Working capital	83
Total net assets	$1,151
Basic Common Shares outstanding (millions)	649
Estimated NAV per basic Common Share	$1.77

OUTLOOK AND SUSTAINABILITY

Lucero's 2024 capital program is budgeted at US$65 million (C$88 million), with over 80% expected to be allocated to light oil drilling and completions activities. The Company's 2024 development program has actively commenced, which includes drilling six (4.9 net) wells and completing two (1.7 net) drilled but uncompleted wells ("DUCs") carried over from 2023. These wells will be brought on-stream at a measured pace through the year, which is intended to allow Lucero to deliver a sustainable quarterly production profile, and responsibly build on the operational momentum established during 2023. With the Company's stable production profile and relatively low decline asset base, Lucero's 2024 capital program is anticipated to drive annual average production of approximately 10,100 Boepd[1], targeting exit production of approximately 10,300 Boepd[1]. This represents year-over-year production growth of 3% while maintaining the corporate production decline profile at approximately 30%.

Lucero is in a unique position among Canadian-listed, growth-oriented exploration and production companies. The Company offers 100% exposure to U.S. light oil-weighted assets within a growth platform comprised of lower-risk and high-impact development opportunities situated in the heart of the prolific North Dakota Bakken/Three Forks play. A prudent and measured approach to capital allocation and operational execution positions the Company well to continue generating production growth, realizing robust operating netbacks and targeting high expected oil recoveries from the asset base. Given Lucero's corporate production decline profile of approximately 30%, the Company has demonstrated the ability to generate significant free funds flow that can be allocated to growth, a return of capital, and/or other initiatives that can directly contribute to long-term shareholder value creation.

With a focus on realizing success in 2024 and beyond, the Company is proud to highlight the following key operational and financial attributes:

Production Guidance	2024E Average: 10,100 Boepd[1] 2024E Exit: 10,300 Boepd[1]
Total Proved plus Probable Reserves[2]	Approx. 56 MMboe (82% light oil and liquids)
Development Inventory	>30 net undrilled locations at Dec 31, 2023
Corporate Production Decline	Approx. 30%
2024 Exploration and Development Expenditures	US$65 million (approx. C$88 million[3])
Working capital	C$82.6 million at Dec 31, 2023
Common Shares outstanding (basic)	649 million at Dec 31, 2023

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READER ADVISORIES

Forward Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans, strategy, business model, focus, objectives and other aspects of Lucero's anticipated future operations and financial, operating and drilling and development plans and results, including, expected future production, production mix, reserves, drilling inventory, working capital, net debt, funds flow, free funds flow, operating netbacks, decline rate and decline profile, capital expenditure program and commodity prices. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding: that the Company's robust financial position affords the Company flexibility to drive continued growth while pursuing initiatives aimed at further enhancing shareholder value; that wells will be brought on-stream at a measured pace, which is intended to deliver a sustainable quarterly production profile; Lucero's expectation of corporate decline rates; Lucero's expectation on its long-term growth prospects; the Company's expectation that it is well positioned to continue generating measured growth and robust operating netbacks while targeting high expected recoveries, all of which contributes to the Company's ability to support and generate meaningful rates of return that can directly contribute to shareholder value creation; Lucero's 2024 capital program budgeted at US$65 million (approx. C$88 million); Lucero's anticipation that the Company's 2024 capital program will drive annual average production of approximately 10,100 Boepd (weighted as to 60% light oil, 20% NGL and 20% natural gas) with an exit production rate of approximately 10,300 Boepd (weighted as to 60% light oil, 20% NGL and 20% natural gas) and matters set forth under "Outlook and Sustainability"; matters with respect to the NCIB; Lucero's anticipation of delivering on 2024 capital budget and production guidance; anticipated average and exit production rates, available free funds flow, management's view of the characteristics and quality of the opportunities available to the Company; the Company's allocation of free funds flow; and other matters ancillary or incidental to the foregoing. Forward-looking information typically uses words such as "anticipate", "believe", "project", "target", "guidance", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain

[1] Approximately 60% light oil, 20% NGL and 20% conventional natural gas.
[2] All reserves information in this press release are gross Company reserves, meaning Lucero's working interest reserves before deductions of royalties and before consideration of Lucero's royalty interests. The reserve information for Lucero in the foregoing table is derived from the independent engineering report effective December 31, 2023 prepared by Netherland, Sewell & Associates, Inc. ("NSAI") evaluating the oil, NGL and natural gas reserves attributable to all of the Company's properties (and for greater certainty does not include the Disposed Assets).
[3] Assumes a foreign exchange rate of US$1.00 = C$1.35.

key expectations and assumptions made by Lucero's management, including expectations concerning prevailing commodity prices, exchange rates, acquisitions and divestitures, interest rates, applicable royalty rates and tax laws; capital efficiencies; decline rates; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; effects of inflation and other cost escalations results of operations; performance; business prospects and opportunities; the availability and cost of financing, labor and services; the impact of increasing competition; the impact of inflation on costs and expenses; ability to market oil and natural gas successfully and Lucero's ability to access capital. Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.*

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Lucero can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on Lucero's future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect Lucero's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR+ website (www.sedarplus.ca). These forward-looking statements are made as of the date of this press release and Lucero disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Non-GAAP Measures

This document includes non-GAAP measures and ratios commonly used in the oil and natural gas industry. These non-GAAP measures and ratios do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS", or alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. For additional details, descriptions and reconciliations of these and other non-GAAP measures, see the Company's Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2023.

***"Funds flow"** represents cash from operating activities prior to changes in non-cash operating working capital and settlement of decommissioning obligations, including cash finance expenses, and is a measure of the Company's ability to generate funds to service any debt and other obligations and to fund its operations, without the impact of changes in non-cash working capital, which can vary based solely on timing of settlement of accounts receivable and accounts payable. **"Adjusted funds flow"** represents funds flow prior to transaction related costs, as transaction costs are associated with acquisition or disposition activity that are not representative of normal course business operations. **"Funds flow netback per Boe"** and **"Adjusted funds flow netback per Boe"** represents funds flow and adjusted funds flow, respectively, divided by production volumes for the corresponding period. **"Funds flow per share basic and diluted"** and **"Adjusted funds flow per share basic and diluted"** represents funds flow and adjusted funds flow, respectively, divided by the weighted average basic and diluted shares outstanding, respectively, for the corresponding period. The reconciliation between cash provided by operating activities, as defined by IFRS, and funds flow as well as adjusted funds flow, is as follows:*

		Three months ended December 31,		Year ended December 31,
($ thousands)	2023	2022	2023	2022
Cash provided by operating activities	$32,235	$41,903	$136,732	$172,570
Finance expenses - cash	424	(1,710)	(2,259)	(7,154)
Settlement of decommissioning obligations	-	-	304	-
Changes in non-cash operating working capital	1,317	(3,195)	3,231	(18,358)
Funds flow	$33,976	$36,998	$138,008	$147,058
Transaction related costs	-	-	2,454	2,100
Adjusted funds flow	$33,976	$36,998	$140,462	$149,158

*"**Adjusted EBITDA**" represents cash provided by operating activities prior to changes in non-cash working capital, to measure the Company's ability to generate funds to service debt and other obligations and to fund the Company's operations, without the impact of changes in non-cash working capital which can vary based solely on timing of settlement of accounts receivable and accounts payable. "**Adjusted EBITDA per share basic and diluted**" is a non-GAAP ratio that includes adjusted EBITDA, a non-GAAP measure. The Company calculates adjusted EBITDA per share basic and diluted as adjusted EBITDA divided by weighted average basic and diluted shares outstanding, respectively. Lucero believes that adjusted EBITDA and adjusted EBITDA per share basic and diluted are key industry performance measures of the Company's ability to generate liquidity and are common measures within the oil and gas industry. The reconciliation between cash flow from operating activities, as defined by IFRS, and adjusted EBITDA, as defined herein, is as follows:*

		Three months ended December 31,		Year ended December 31,
($ thousands)	2023	2022	2023	2022
Cash provided by operating activities	$32,235	$41,903	$136,732	$172,570
Changes in non-cash operating working capital	1,317	(3,195)	3,231	(18,358)
Adjusted EBITDA	$33,552	$38,708	$139,963	$154,212

***"Working capital"** (or, if a negative number, referred to as **"net debt"**) represents total current assets (excluding financial derivative assets), less: total liabilities (excluding decommissioning obligation, deferred tax liability, lease liability and financial derivative liability). Lucero believes Working capital or net debt is a key measure to assess the Company's liquidity position at a point in time. Working capital or net debt is not a standardized measure and may not be comparable with similar measures for other entities. Net debt is also expressed as a ratio to funds flow, referred to as **"net debt to funds flow ratio"**, and is calculated as the net debt at the end of a period divided by the funds flow in the same period. The reconciliation between total current assets, as defined by IFRS, and working capital or net debt, as defined herein, is as follows:*

($ thousands)	As at December 31, 2023	As at December 31, 2022
Total current assets	$113,842	$34,098
Total liabilities	(89,689)	(149,123)
Decommissioning obligation	4,623	5,993
Deferred tax liability	52,865	30,553
Financial derivative liability	-	-
Lease liability	950	1,053
Working capital (net debt)	$82,591	($77,426)

"Operating netback"** represents petroleum and natural gas revenue, plus or minus any realized gain or loss on financial derivatives, less royalties, operating expenses, production taxes, and transportation expenses. **"Operating netback prior to hedging"** represents operating netback prior to any realized gain or loss on financial derivatives. "Operating netback" and "Operating netback prior to hedging" is also presented on a per Boe basis by dividing by production volumes for the corresponding period. Lucero believes that in addition to net income (loss) and cash provided by operating activities, operating netback and operating netback prior to hedging are useful supplemental measures as they assist in the determination of the Company's operating* performance, leverage, and liquidity. Operating netback is commonly used by investors to assess performance of oil and gas properties and the possible impact of future commodity price changes on energy producers. ***"Operating netback per Boe" *is a non-GAAP ratio that represents operating netback, a Non-GAAP measure, divided by production volumes for the corresponding period, and is presented including and excluding any realized gain or loss on financial derivatives. The table below discloses Lucero's operating netback and operating netback prior to hedging, including the reconciliation to the Company's most closely comparable GAAP measure, petroleum and natural gas revenues:*

($ thousands)	2023	Three months ended December 31, 2022	2023	Year ended December 31, 2022
Petroleum and natural gas revenues	$58,680	$76,146	$254,201	$342,582
Royalties	(9,439)	(13,281)	(42,658)	(63,358)
Operating expenses	(8,163)	(9,438)	(35,594)	(34,695)
Production taxes	(4,390)	(7,003)	(19,463)	(27,715)
Transportation expenses	(1,426)	(1,797)	(6,382)	(7,282)
Operating netback prior to hedging	$35,262	$44,627	$150,104	$209,532
Realized loss on financial derivatives	-	(4,055)	-	(45,966)
Operating netback	$35,262	$40,572	$150,104	$163,566

"Exploration and development expenditures" *represents additions to property, plant and equipment in the cash flow used in investing activities, less capitalized general and administrative expenses. Exploration and development expenditures is a measure of the Company's investments in property, plant and equipment. The most directly comparable GAAP measure to exploration and development expenditures is additions to property, plant and equipment in the cash flow used in investing activities. The reconciliation between additions to property, plant and equipment, as defined by IFRS, and exploration and development expenditures, as defined herein, is as follows:*

($ thousands)	2023	Three months ended December 31, 2022	2023	Year ended December 31, 2022
Additions to property, plant and equipment	$4,579	$17,306	$84,082	$62,981
Capitalized general and administrative expenses	(848)	(746)	(3,166)	(3,057)
Exploration and development expenditures	$3,731	$16,560	$80,916	$59,924

"Free funds flow" *represents funds flow, less exploration and development expenditures. Management considers this measure to be useful in determining its available discretionary cash to fund capital expenditures, acquisitions or returns of capital to shareholders.*

"Payout ratio" *is a non-GAAP ratio that represents exploration and development expenditures (a non-GAAP measure), plus the cost of any dividends or share buybacks, as a percentage of funds flow. Management uses this measure to, among other things, assess the Company's allocation of free funds flow for corporate initiatives.*

This press release contains metrics commonly used in the oil and natural gas industry which have been prepared by management, such as "F&D costs", "FD&A costs" and "recycle ratio". These terms do not have a standardized meaning and may not be comparable to similar measures presented by other companies, and therefore should not be used to make such comparisons.

*"**F&D costs**" are calculated as exploration and development expenditures, plus changes in future development capital. F&D costs are also presented on a per Boe basis, dividing F&D costs by the change in reserve volumes plus production volumes in the applicable period. Management uses F&D costs as a measure of capital efficiency for organic reserves development.*

*"**FD&A costs**" are calculated as exploration and development expenditures, plus acquisition costs, disposition proceeds, and changes in future development capital. FD&A costs are also presented on a per Boe basis, dividing FD&A costs by the change in reserve volumes (including reserve volumes associated with acquisitions and dispositions) plus applicable production volumes. Management uses FD&A costs as a measure of capital efficiency for organic and acquired/disposed reserves development.*

*"**Recycle ratio**" is a non-GAAP ratio calculated by dividing operating netback per Boe (prior to hedging) by F&D costs or FD&A costs for the year. Management uses recycle ratio to evaluate the profitability, compared to the finding, developing and acquisition costs.*

Oil and Gas Disclosures and Metrics

The term "Boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A Boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Production replacement ratio is calculated as total reserve additions divided by annual production, where both are adjusted for any impact of acquisitions and/or dispositions.

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the reserves evaluation prepared by NSAI as of December 31, 2023 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates prepared by a qualified reserves evaluator based on Lucero's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Of the greater than 30 net drilling locations identified herein, 18 are proved locations, 8 are probable locations and the remaining are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Lucero will drill all unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, some of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and, if drilled, there is more uncertainty that such wells will result in additional oil and gas reserves or production.