Lycos Energy Inc.
(formerly Samoth Oilfield Inc.)
Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements and the notes contained therein of Lycos Energy Inc. (formerly Samoth Oilfield Inc.) ("Lycos" or the "Company") for the year ended October 31, 2022. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company trades on the TSX Venture Exchange ("TSXV") under the symbol LCX (formerly SCD). Additional regulatory information relating to Lycos can be found at the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A was prepared effective February 24, 2023.

Business Overview

Lycos Energy Inc. (formerly Samoth Oilfield Inc.) is a publicly traded resource company incorporated in the Province of Alberta that is listed on the TSX Venture Exchange under the symbol "LCX" (formerly "SCD"). To date, the Company has engaged in the development and production of petroleum and natural gas in Western Canada.

Unless otherwise indicated herein, all production information presented herein has been presented on a gross basis, which is the Company's working interest prior to deduction of royalties and without including any royalty interests.

Properties

Lycos' development and production assets as at October 31, 2022 are in the Garrington and Willesden Green areas of Alberta.

Garrington - This gas property is located approximately 35 miles west of Red Deer, Alberta in Townships 36 to 37, Range 5 W5M where 4 gross (3.2 net) wells are producing. The property consists of five zones, three wells of which are currently producing from the Edmonton Formation. Lycos owns working interests ranging from 70% to 82.5% in these producing wells. The underlying mineral rights of the producing wells are Crown and the wells are operated by Lycos. Abandonment of one non-producing well in this area commenced during fiscal 2021 and was completed in fiscal 2022 under the Alberta Government Site Rehabilitation Program.

Willesden Green - This gas property is located approximately 15 miles east of Rocky Mountain House, Alberta in Township 39, Ranges 5 to 6 W5M. The property consists of 3 gross (1.9 net) gas wells from the Edmonton Formation. Lycos owns working interests ranging from 42.74% to 100% in these wells. The underlying mineral rights are Crown and the wells are operated by Lycos. Abandonment of these three wells commenced during fiscal 2021 and was completed in fiscal 2022 under the Alberta Government Site Rehabilitation Program.

Subsequent Events

1. Recapitalization Transaction

On November 7, 2022, Chronos Resources Ltd. ("Chronos") and the Company announced that both parties entered into a definitive agreement dated November 7, 2022 providing for a transaction and $65.0 million of equity financing. Pursuant to the transaction:

i. Chronos completed an equity private placement for maximum aggregate gross proceeds of $65.0 million;

ii. Chronos and the Company completed a transaction which resulted in the reconstitution of the management team and board of directors;

iii. the resulting issuer created from the combination of the Company and Chronos was renamed

"Lycos Energy Inc." and trades on the TSXV under the new stock symbol "LCX" as a Tier 1 oil and gas issuer;

iv. each issued and outstanding common share in the capital of Chronos was acquired by the Company in exchange for twenty (20) common shares in the capital of the Company at a deemed price of **$0.035 per** share; and

v. the Company completed a consolidation of the common shares on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidation common shares, representing an exchange ratio, on a post-consolidation basis, of two and a half (2.5) resulting issuer shares at a deemed price of **$0.28 per** resulting issuer share for every Chronos share.

The transaction was completed on December 12, 2022.

The amalgamation of the Company and Chronos to form Lycos was treated as a reverse takeover transaction ("RTO") for accounting purposes based on the terms of the amalgamation. In accordance with IFRS, the Company did not meet the definition of a business for accounting purposes. Therefore, the RTO did not constitute a business combination but a capital transaction of the Company in substance with Chronos being the continuing entity from an accounting perspective.

Upon the close of the transaction, the following was the issued and outstanding share capital of the combined entity:

	Total ('000s)
Common shares issued and outstanding of Chronos	31,399
Issued common shares of Chronos for $53.0 million proceeds at $0.70/share	75,714
Issued units of Chronos for $12.0 million proceeds at $0.70/unit (1)	17,143
Issued units of Chronos for $782 thousand of advisory fees at $0.70/unit (1)	1,117
Total common shares issued	125,374
20 to 1 exchange of Chronos to Samoth common shares	2,507,475
Samoth common shares issued and outstanding	37,707
Total common shares issued post transaction	2,545,182
Total common shares issued (post 8 to 1 consolidation)	318,148

(1) Units are comprised of one common share issued at $0.70/share and one warrant at $0.70/share.

2. On November 24, 2022, Lycos entered into a sublease agreement for a period of two years and eight months, commencing on May 1, 2023. The Company will be obligated to pay basic rent of approximately $0.1 million per year plus operating costs defined annually by the landlord.

3. On January 16, 2023, Lycos entered into a credit agreement in respect of a new revolving credit facility for up to $20.0 million, of which $10.0 million is immediately available for general corporate purposes and an additional $10.0 million is available at the discretion of the Lender. The credit facility is undrawn, uncommitted and payable on demand.

4. On January 25th, 2023, Lycos issued the grant of 15,935,000 stock options to certain employees, directors and officers. The stock options expire five years from the date of grant and are exercisable at a price of $0.55 per common share. The options vest as to one-third on each of the first, second and third anniversary of the grant date.

Summary of Quarterly Information

	Three months ended October 31, 2022	Three months ended October 31, 2021	Year ended October 31, 2022	Year ended October 31, 2021
Sales volumes (mcf)	7,786	838	17,137	13,461
Daily sales volumes (mcf/d)	85	9	47	37
Revenue	$24,692	$2,257	$73,246	$28,319
Royalties	$2,028	-	$3,726	$1,789
Production and transportation	$72,925	$(51,955)	$137,846	$71,671
Net income (loss)	$(162,651)	$182,431	$(375,918)	$(47,282)
Net income (loss) per share – basic and diluted	$(0.005)	$0.006	$(0.011)	$(0.001)
Total assets	$105,742	$134,320	$105,742	$134,320
Total liabilities	$347,430	$241,271	$347,430	$241,271
Deficit	$(4,471,584)	$(4,095,666)	$(4,471,584)	$(4,095,666)
Weighted average number of shares outstanding – basic	34,071,260	32,972,016	34,071,260	32,972,016
– diluted	34,180,279	32,997,346	34,180,279	32,997,346

Quarterly Financial Summary

The following table summarizes the Company's quarterly results for the past eight fiscal quarters:

$000's Except for per share amounts	Oct. 31 2022	Jul. 31 2022	Apr. 30 2022	Jan. 31 2022	Oct. 31 2021	Jul. 31 2021	Apr. 30 2021	Jan. 31 2021
Total revenues, net of royalties	$22.7	$33.2	$11.5	$2.1	$2.3	$5.6	$8.7	$10.1
Net income (loss)	$(162.7)	$(0.1)	$(71.2)	$(142.0)	$182.4	$(19.1)	$(102.7)	$(107.9)
Net income (loss) per share: basic and diluted	$(0.005)	$0.000	$(0.002)	$(0.004)	$0.006	$(0.001)	$(0.003)	$(0.003)

Results of Operations

Field Level Cash Flow $000's	Three months ended October 31, 2022	Three months ended October 31, 2021	Year ended October 31, 2022	Year ended October 31, 2021
Natural gas revenue	$24.7	$2.2	$73.2	$28.3
Royalties	2.0	-	3.7	1.8
Production and transportation	72.9	(52.0)	137.8	71.6
Field level cash flow	$(50.2)	$54.2	$(68.3)	$(45.1)

Operating Netback ($/mcf) $000's	**Three months ended October 31, 2022**	**Three months ended October 31, 2021**	**Year ended October 31, 2022**	**Year ended October 31, 2021**
Natural gas revenue per mcf	$3.2	$2.7	$4.3	$2.1
Royalties	0.3	-	0.2	0.1
Production and transportation	9.4	(62.0)	8.1	5.3
Netback ($/mcf)	$(6.5)	$(64.7)	$(4.0)	$(3.4)

Expense Analysis ($'s)	**Three months ended October 31, 2022**	**Three months ended October 31, 2021**	**Year ended October 31, 2022**	**Year ended October 31, 2021**
General and administrative	$87,541	$17,962	$140,544	$148,323
Production and transportation	72,925	(51,955)	137,846	71,671
Finance expense	3,439	756	3,439	756
Stock-based compensation	28,131	-	170,331	-
Revisions to decommissioning liabilities	8,881	(90,442)	8,881	(90,442)

Liquidity and Capital Resources

As at October 31, 2022, the Company had cash of $47,963 (October 31, 2021 - $108,834), a working capital deficit of $76,077 (October 31, 2021- working capital of $40,958) and an accumulated deficit of $4,471,584 (October 31, 2021 - $4,095,666). During the year ended October 31, 2022 the Company had a net loss of $375,918 (October 31, 2021 net loss – $47,282) and negative cash flows from operations of $131,721 (year ended October 31, 2021 - $222,832).

Lycos intends to use the net proceeds from the transaction for acquisition, development and drilling opportunities. To the extent that the Company's existing working capital is not sufficient to pay cash proceeds of the purchase price for any acquisition, Lycos anticipates that it will make use of additional equity or debt financings as available. Alternatively, the Company may issue equity as consideration to complete any future acquisition.

Contractual Obligations and Commitments

As at October 31, 2022, the Company had no significant contractual obligations or commitments. Given the Company's available liquid resources resulting from the transaction, and the Company's current plans, management expects to have sufficient available funds to meet the current and foreseeable contractual obligations.

Share Capital

<u>Authorized:</u>

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. No preferred shares have been issued.

Issued and outstanding:

	October 31, 2022		October 31, 2021	
	Amount	Number of Shares	Amount	Number of Shares
Common shares				
Balance, beginning of year	$3,460,394	33,842,055	$3,287,398	32,967,222
Stock options exercised	70,850	1,370,000	43,742	874,833
Contributed surplus allocated on exercise of stock options	64,263	-	129,254	-
Balance, end of year	$3,595,507	35,212,055	$3,460,394	33,842,055

Share-based Compensation

Pursuant to the Company's stock option plan, the Company may reserve a maximum of 10% of the total issued and outstanding listed common shares with the exercise price and term to be determined by the Board of Directors on the date of issuance of the options. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants or employees will not exceed 2% of the issued and outstanding common shares.

On December 30, 2021, the Company granted an aggregate of 1,945,000 options to purchase common shares of the Company to certain directors and officers pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.07 per share for a period of five years.

On June 15, 2022, the Company granted an aggregate of 1,100,000 options to purchase common shares of the Company to certain directors and officers pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.05 per share for a period of five years.

A summary of stock option activity in the year is as follows:

	Year ended October 31, 2022		Year ended October 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning of year	2,391,889	$0.07	3,266,722	$0.07
Expired	(1,071,889)	(0.10)	-	-
Cancelled	(500,000)	(0.05)	-	-
Issued	3,045,000	0.06	-	-
Exercised	(1,370,000)	(0.05)	(874,833)	(0.05)
Outstanding options, end of year	2,495,000	$0.07	2,391,889	$0.07
Exercisable options, end of year	2,495,000	$0.07	2,391,889	$0.07

A summary of the options outstanding and exercisable at October 31, 2022 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
$0.07	1,945,000	4.2
$0.055	250,000	1.0
$0.05	100,000	0.2
$0.05	200,000	4.6
$0.07	2,495,000	3.7

A summary of the options outstanding and exercisable at October 31, 2021 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
$0.10	1,071,889	0.2
$0.055	820,000	1.0
$0.05	500,000	2.1
$0.07	2,391,889	1.2

During the year ended October 31, 2022, share-based payments expense of $170,331 was recognized (year ended October 31, 2021 - $nil).

During the year ended October 31, 2022, 900,000 options were exercised at $0.05 per share and 470,000 options were exercised at $0.055 per share for total proceeds of $70,850 (2021 – 874,833 options were exercised at $0.05 per share for proceeds of $43,742).

Subsequent to year-end, 2,495,000 outstanding options were exercised for proceeds of $164,900 related to the close of the transaction.

Off-Balance Sheet Arrangements

As at October 31, 2022, the Company had no significant off-balance sheet arrangements.

Income Taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to net loss and comprehensive loss. These differences result from the following:

	Year ended October 31, 2022	Year ended October 31, 2021
Loss for the year before income taxes	$(375,918)	$(47,282)
Combined federal and provincial statutory rate	23.00%	23.00%
Expected income tax recovery	86,000	11,000
Difference resulting from:		
Non-deductible expenses	(39,000)	-
Change in unrecognized deferred tax assets	(47,000)	(11,000)
Income taxes	$ -	$ -

Deferred tax assets have not been recognized in respect of the following items:

	Year ended October 31, 2022	Year ended October 31, 2021
Property and equipment	$78,000	$78,000
Decommissioning liabilities	38,000	39,000
Non-capital tax losses	546,000	498,000
Valuation allowance	(662,000)	(615,000)
	$-	$-

At October 31, 2022, the Company had non-capital losses of approximately $2.4 million (October 31, 2021- $2.2 million) available to reduce future taxable income. The Company's tax losses expire between 2029 and 2042. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits**.**

Related Party Transactions

Key management personnel compensation.

The Company has determined key management personnel to be the Chief Executive Officer and Chief Financial Officer and Board of Directors. Compensation expense for key management personnel was:

	October 31, 2022	October 31, 2021
Management compensation	$-	$-
Stock-based compensation	170,331	-
Total	$170,331	$-

Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as otherwise noted.

Jointly controlled operations and jointly controlled assets

Some of the Company's petroleum and natural gas properties are jointly controlled assets. The financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Property and equipment

Property and equipment consist of oil and gas assets, computer equipment, office equipment, furniture and vehicle. Oil and gas properties are stated at cost, less any accumulated depletion, depreciation and accumulated impairment losses. These properties and equipment include oil and natural gas development and production assets, which represent costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning liabilities related to producing assets are also capitalized to property and equipment.

Oil and gas properties are not depreciated until commercial production commences. The net carrying value of oil and gas assets is depleted using the unit-of-production method based on estimated proven and probable oil and gas reserves. The depletion calculation takes into account the estimated future development costs of the recognized proved plus probable reserves.

Proven and probable reserves are determined by independent engineers in accordance with Canadian National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates of proved and probable reserves used in prior periods that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Values of oil and gas properties are reviewed for impairment at the end of each reporting period for any indication that the carrying value of the asset may not be recoverable. If any such indication of impairment exists, an estimate of the recoverable amount is calculated. Individual assets are grouped, for the purposes of impairment testing, together into the smallest group of assets or group of assets that generates cash flows that are largely independent of the cash flows of other assets or group of assets (the cash generating unit or CGU). A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds it recoverable amount, the CGU is considered impaired and is written-down to its recoverable amount.

The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model. The Company uses the present value of the cash generating unit's estimated future cash flows from both proved and probable reserves in its fair value model. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Equipment was measured at cost less accumulated depreciation and accumulated impairment losses. Cost consisted of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Decommissioning liabilities

The Company provides for future decommissioning liabilities related to its oil and gas operating activities based on current legislation, constructive obligation and industry operating practices. Decommissioning liabilites are recognized as a liability in the period in which they are incurred. Decommissioning liabilities are measured as the present value of management's best estimate of the expenditure required to settle the asset retirement liability at the reporting date using a discount rate. When the liability is initially recognized, an amount equivalent to the provision is capitalized to the cost of the related oil and gas asset. This cost is amortized to expense through depletion and depreciation over the life of the related asset on a unit-of-production basis. Subsequent to initial measurement, the liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future costs underlying the liability. The increase in the balance due to the passage of time is charged to the statement of net and comprehensive loss whereas increases or decreases due to changes in the estimated future costs are capitalized. Actual costs incurred upon settlement of the decommissioning liability are charged against the liability or expense if greater than the liability.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and other short-term highly liquid investments that can be readily converted to cash without penalty. The Company did not have any cash equivalents at October 31, 2022 and 2021.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

Financial instruments are comprised of cash, trade and other receivables and trade and other payables Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred all risks and rewards of ownership.

a. Financial assets

Classification and Measurement of Financial Assets
The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

•Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;

•Fair value through other comprehensive income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

•Fair Value through Profit and Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss.

This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis. At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings. Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, The Company measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

b. Financial liabilities

Financial liabilities include trade and other payables. Financial liabilities are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current liabilities.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings. A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Finance expense

Finance expense includes the accretion of the discount on its decommissioning liabilities.

Revenue recognition

Revenue associated with the sale of the Company's natural gas and natural gas liquids is recognized when control passes from the Company to its customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism and it is probable that the economic benefits will flow to the Company.

Interest income is recognized when earned.

Share-based compensation plan

The Company has issued options to acquire common shares to directors, officers and employees of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options using the graded method of amortization, with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest. At the time the stock options are exercised, the fair value of the associated share-based compensation is reclassified from contributed surplus to share capital.

At each reporting date, the Company revises its estimates of the number of options expected to vest. It recognized the impact of the revision of original estimates, if any, in the statement of net and comprehensive loss, with a corresponding adjustment to equity.

Income taxes

Deferred income tax is determined on a non-discounted basis using the liability method and tax rates and laws that have been enacted or substantially enacted at the reporting date. Provision is made for temporary differences at the reporting date between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the deductible 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.

Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments using the treasury stock method. The Company's potentially dilutive common shares include stock options granted to employees and directors. It is assumed that any proceeds obtained on the exercise of any stock options would be used to purchase common shares at the average price during the period.

Government assistance

Government grants or assistance is recognized when there is reasonable assurance that the funds will be received and all conditions of the assistance will be met. Government assistance related to assets and liabilities are recorded as a reduction of the asset's or liability's carrying value. Claims under government assistance programs related to income are recorded as a reduction of the related expense in the period in which eligible expenses were incurred or when the services have been performed.

The Company participated in the Alberta Site Rehabilitation Program ("SRP") and received approval for government funding to assist with downhole abandonment activities on certain wells. The Company does not recognize any of the grant income until completion of the individual projects. During the year ended October 31, 2022, the Company recorded a reduction in decommissioning liabilities of $15,602 (2021 - $56,496) with the offset being recorded as government assistance income in the Statements of Net and Comprehensive Loss.

Risk Management

The carrying amounts of cash, trade and other receivables and trade and other payables approximate fair value due to the short term nature of these items.

Risks associated with financial assets and liabilities:

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Credit risk
The Company is exposed to credit risk which is the risk that a counterparty will fail to perform an obligation or settle a liability. The balance of trade and other receivables are unsecured and due from one counterparty; therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. During the year ended October 31, 2022, the Company recognized credit losses of $nil (2021 - $nil).

Liquidity risk
Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's financial liabilities are comprised of trade and other payables. As at October 31, 2022, all trade and other payables are due within twelve months or less of the reporting date and the expected cash flows associated with them are equal to their carrying values. The Company manages its risk of not meeting its financial obligations through management of its capital structure and annual budgeting of its revenues, expenditures and cash flows.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net loss or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

Foreign exchange rate risk
The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Crude oil and natural gas prices are referenced to U.S. dollar denominated prices while all the Company's expenses are denominated in Canadian dollars. As at October 31, 2022 and October 31, 2021, the Company had no financial instruments denominated in foreign currencies, no forward foreign exchange contracts in place, nor any significant working capital items denominated in foreign currencies.

Commodity price risk
The Company is exposed to commodity price movements as part of its normal oil and gas operations. Oil and natural gas prices are impacted by global supply and demand, as well as political and other forces. Prices continue to be volatile and can undergo significant changes in relatively short time periods. Management continuously monitors commodity prices and initiates instruments to manage its exposure to these risks when it deems necessary. The Company did not enter into any fixed forward contracts or derivative financial instruments as at or during the years ended October 31, 2022 or 2021.

Inflation Risk
The general rate of inflation in Canada and many other countries saw a significant increase during 2021 and continuing through October 31, 2022, with some regions experiencing multi-decade highs. These increases reflect imbalances between supply and demand recoveries from the pandemic. The underlying factors include, but are not limited to, global supply chain disruptions, shipping bottlenecks, labor market constraints, geopolitical instability, and side effects from monetary and fiscal expansions. Prices for services and materials continue to evolve in response to fast-changing commodity markets, industry activities, supply chain dynamics, and government policies impacting operating and capital costs. The Company closely monitors market trends and works to mitigate cost impacts.

Pandemics, Natural Disasters Or Other Unanticipated Events
The occurrence of pandemics, such as the recent outbreak of the novel coronavirus COVID-19; natural disasters, such as hurricanes, floods or earthquakes; or other unanticipated events, such as cyberattacks, fires, terrorist attacks or railway blockades, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, and without limitation of the foregoing, the Company is also exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on the Company's business, financial condition and results of operations. The Company cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability to meet their contractual obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for commodities. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour or products, and travel bans, and the Company's operations and service providers, and ability to carry out its ongoing business plan, could be adversely affected.

Capital Management

The Company's capital consists of equity (deficit). The Company has no bank debt. The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations; to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; to perform development activities on its petroleum and natural gas projects; and to seek out and acquire new projects of merit. Funds are secured through debt financing or equity capital. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company may, from time to time, invest its capital in short-term, liquid and highly rated financial instruments held with major financial institutions or in marketable securities. The Company does not maintain a formal investing strategy. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time, issue shares, obtain debt financing and adjust its capital spending. There were no changes in the Company's approach to capital management from the previous year. The Company does not have any externally imposed capital restrictions.

Segmented Disclosure

The Corporation has one operating segment; oil and gas exploration and production. At October 31, 2022 and October 31, 2021 all of the Corporation's revenues were earned and assets were held in Canada.

Forward-Looking Information

Certain information in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. Forward-looking statements may contain words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions and statements relating to matters that are not historical facts. These may include, without limitation, intentions of management and the Company, the Company's business strategy, statements based on current expectations involving a number of risks and uncertainties related to pipeline and facilities construction and maintenance services associated with the oil and gas and industries and utility services and the domestic and worldwide supplies and commodity prices of oil and gas.

In particular, forward-looking information includes material assumptions regarding, without limitation, future commodity prices, expected production information, drilling results, compliance with regulatory requirements, the impact of inflation on costs and interest rates, and future considerations regarding the Company's exploration and development programs. The forward-looking information is based on those assumptions as noted in each section, which are based, in turn, on the information available to management as at the date of this report. The reader is cautioned that material assumptions used in the preparation of such information may prove to be incorrect and should carefully consider the assumptions presented, even though at present, such assumptions are believed to be reasonable. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties, many of which are beyond the control of the Company. These include: the risks described under the heading "Risk factors" above; risks associated with the oil and gas industry in general; volatility in market prices for oil and natural gas; environmental risks; the ability to access sufficient capital; changes in the political landscape; and increased costs due to inflationary pressures. Readers are cautioned that the foregoing list of risk factors is not exhaustive.

The forward-looking statements contained in this document are approved by management as of the date hereof and the Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change as a result of new information or future events. The reader is cautioned not to place undue reliance on this forward-looking information.

Abbreviations

Oil and Natural Gas:

bbl	barrels	mmcf	million cubic feet
mbbl	thousand barrels	mcf/d	thousand cubic feet per day
mmbbl	million barrels	mmcf/d	million cubic feet per day
bbl/d	barrels per day	GJ	gigajoule
API	American Petroleum Institute	bcf	billion cubic feet
mcf	thousand cubic feet	tcf	trillion cubic feet

Other:

boe	barrel of oil equivalent converting six mcf of natural gas to one barrel of oil (6:1) unless otherwise stated.
boe/d	barrels of oil equivalent per day
bopd	barrels of oil per day
mboe	thousands of barrels of oil equivalent
GORR	non-convertible gross overriding royalty
NPV	net present value

Non-IFRS Measures

In addition to using financial measures prescribed by IFRS, certain non-IFRS measures are also used in this MD&A. These non-IFRS measures are "operating netback" and "field level cash flow." The Company uses these measures to help evaluate the Company's performance, however these measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Operating netback and field level cash flow should not be construed as an alternative to net income or cash flow from operating activity (as determined under IFRS) as an indicator of financial performance or to cash flow from operating activities (as determined under IFRS) as a measure of liquidity and cash flow.

- **Operating netback** (Non-IFRS Financial Measure) is a benchmark used in the natural gas industry to measure the contribution of natural gas sales subsequent to the deduction of royalties, and production and transportation costs.
- **Field level cash flow** (Capital Management Measure) refers to oil and gas sales revenue less royalties and less operating expenses. It does not include other income or any of the other company expenses that are used to calculate net loss.