

LYCOS ENERGY INC. ANNOUNCES FIRST QUARTER 2023 OPERATING AND FINANCIAL RESULTS, CREDIT FACILITY INCREASE AND POTENTIAL CONSOLIDATION

Calgary, Alberta – May 25, 2023 - Lycos Energy Inc. ("Lycos" or the "Company") (TSXV: LCX) is pleased to announce its operating and financial results for the three months ended March 31, 2023. Selected financial and operating information is outlined below and should be read with Lycos' unaudited financial statements and related management's discussion and analysis ("MD&A") for the three months ended March 31, 2023, which are available at sedar.com and www.lycosenergy.com.

Financial and Operating Highlights

	Three months ended March 31,	
	2023	2022
(\$ in thousands, except per share)		
Petroleum and natural gas sales, net of blending⁽¹⁾	10,287	7,803
Cash flow from operating activities	(3,424)	2,087
Per share - basic	\$ (0.01)	\$ 0.03
Per share - diluted	\$ (0.01)	\$ 0.03
Adjusted funds flow from operations⁽¹⁾	2,622	2,426
Net income	21,812	1,347
Per share - basic	\$ 0.07	\$ 0.02
Per share - diluted	\$ 0.06	\$ 0.02
Capital expenditures - exploration & development	11,687	491
Capital expenditures - net acquisitions & dispositions	50,000	(185)
Adjusted working capital (net debt)⁽¹⁾	(4,982)	56,835
Weighted average shares outstanding (thousands)		
Basic	318,148	78,499
Diluted	338,403	78,499
Average daily production:		
Crude oil (bbls/d)	1,919	895
Natural gas (mcf/d)	125	45
Total (boe/d)	1,940	903
Realized prices:		
Crude oil (\$/bbl) ⁽²⁾	56.57	91.37
Natural gas (\$/mcf)	2.77	4.46
Total (\$/boe)	56.14	90.83
Operating netback (\$/boe)		
Petroleum and natural gas revenues ⁽²⁾	56.14	90.83
Royalties	(9.15)	(14.68)
Net operating expenses ⁽¹⁾	(29.55)	(41.13)
Transportation expenses	(0.49)	(0.69)
Operating netback (\$/boe)⁽¹⁾	16.95	34.33
Adjusted funds flow from operations (\$/boe)⁽¹⁾	15.01	29.86

⁽¹⁾ See Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures

⁽²⁾ Realized prices are based on revenue, net of blending expense

Message to Shareholders

The first quarter of 2023 represents a stub quarter with the newly acquired properties only contributing for 31 days. The second quarter will represent the first full quarter incorporating the property acquisition and results from our active drilling program.

In April, the corporation achieved record production of over 3,000 boe/d (99% oil) at a greatly improved estimated operating netback⁽¹⁾ of greater than \$43/boe, representing an improvement of greater than 150% from the reported first quarter period of 2023.

First quarter 2023 operating and financial results:

- Lycos completed the acquisition of heavy oil assets in the Company's Lloydminster area which added approximately 1,500 boe/d of production and a large inventory of multi-lateral drilling locations.
- The Company added approximately 2,600 net acres of land with multiple identified drilling locations. Our first well on these lands will be drilled in June 2023.
- Capital program included two successful multi-leg "fishbone" wells that achieved IP 30's of 118 bbls/d and 101 bbls/d, respectively. Both wells are shorter fishbone wells and are outperforming the offsetting conventional multi lateral of similar length.
- Existing fishbones continue to deliver better than forecast results with the original 8-33-43-22W3 well having produced over 20,000 boe (99% oil) since coming on stream at the end of the fourth quarter of 2022 and posting an IP180 of 107 boe/d (99% oil). Additionally, the half fishbone in Alberta produced at an IP60 of 305 boe/d (99% oil) and has produced over 24,000 boe (99% oil), since coming on stream at the end of the first quarter of 2023.
- The acquisition, along with investment in facilities, decreased the average net operating expenses⁽¹⁾ for the first quarter of 2023 of \$29.55/boe (a reduction of 26% from the fourth quarter of 2022) and achieved an average March 2023 net operating expense⁽¹⁾ of \$22.64/boe (a reduction of 44 % from the fourth quarter of 2022).
- Completed all facility work on the first pod of reactivations at Neilburg, Saskatchewan with the start up of production in the second quarter of 2023.

⁽¹⁾ See "Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures"

Credit Facility Increase

Lycos has entered into an amending agreement with the National Bank of Canada to increase the existing revolving credit facility from \$20.0 million to \$35.0 million. The credit facility provides added financial flexibility to support the Company's growth.

Potential Consolidation

At the upcoming Annual General Meeting, shareholders of the Company will be asked to consider for approval, among other things, a resolution authorizing the Board of Directors, at its discretion, to proceed with a potential consolidation (the "**Consolidation**") of the common shares of Lycos (the "**Common Shares**") on the basis of a ratio between four (4) and eight (8) pre-Consolidation Common Shares for each one (1) post-Consolidation Common Share. The Consolidation is subject to approval of the TSX Venture Exchange (the "**TSXV**") and shareholders at the Annual General Meeting. If these approvals are received and the Board of Directors determines to proceed, the Consolidation will occur at a time determined by the Board and announced by a press release of the Company. The Company believes that the Consolidation, if implemented, will promote increased liquidity and reduce volatility in the trading of the Common Shares.

The Company currently has 318,147,806 issued and outstanding Common Shares. In the event that the Consolidation is completed, for example on a four (4) to one (1) basis, the Company would have approximately 79,536,951 Common Shares outstanding following the Consolidation. In addition, the exercise price and number of Common Shares issuable upon the exercise of any convertible securities would be proportionally adjusted upon the implementation of the Consolidation. Further details on the reasoning for the Consolidation and other matters to be considered at the Annual General Meeting are contained in the Company's management information circular dated May 1, 2023.

Outlook

The outlook for Lycos remains unchanged at \$37.0 million of exploration and development expenditures to achieve annual average production guidance of 3,000 boe/d with anticipated fourth quarter production rates of 4,000 boe/d.

Our next drilling campaign will commence with two drilling rigs expected to spud in the next several weeks. During the balance of the year we anticipate drilling 7 fishbone wells and 4 conventional multi-lateral wells including 2 fishbone exploration tests on the newly acquired acreage.

Lycos continues to assess and pursue strategic asset and land acquisitions that will continue to enhance our growth and sustainability. Through our acquisition diligence and continued innovation and refinement of multi-lateral drilling techniques we anticipate be able to provide meaningful per share growth for the foreseeable future.

Additional Information

For further information, please contact:

Lycos Energy Inc.
Dave Burton
President and CEO
T: (403) 616-3327
E: dburton@lycosenergy.com

Lindsay Goos
Chief Financial Officer
T: (403) 542-3183
E: lgoos@lycosenergy.com

Reader Advisories

Forward-Looking and Cautionary Statements

Certain statements contained within this press release constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "budget", "plan", "endeavor", "continue", "estimate", "evaluate", "expect", "forecast", "monitor", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" and similar expressions. Lycos believes that the expectations reflected in such forward-looking statements are reasonable as of the date hereof, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Without limitation, this press release contains forward-looking statements pertaining to: Lycos' business strategy, objectives, strength and focus; anticipated capital program and operational results for 2023 including, but not limited to, estimated or anticipated growth, production levels, capital expenditures, drilling plans and locations; the

Annual General Meeting and timing thereof; the impact of the Consolidation; expectations regarding commodity prices; the performance characteristics of the Company's oil and natural gas properties; the ability of the Company to achieve drilling success consistent with management's expectations; and the source of funding for the Company's activities including development costs. Statements relating to production, reserves, recovery, replacement, costs and valuation 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.

The forward-looking statements and information are based on certain key expectations and assumptions made by Lycos, including expectations and assumptions concerning the business plan of Lycos; the timing of and success of future drilling, development and completion activities; the timely receipt of all required shareholder, TSXV and regulatory approvals; the geological characteristics of Lycos' properties; prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products; the availability and performance of drilling rigs, facilities, pipelines and other oilfield services; the timing of past operations and activities in the planned areas of focus; the drilling, completion and tie-in of wells being completed as planned; the performance of new and existing wells; the application of existing drilling and fracturing techniques; prevailing weather and break-up conditions; royalty regimes and exchange rates; the application of regulatory and licensing requirements; the continued availability of capital and skilled personnel; the ability to maintain or grow its credit facility; the accuracy of Lycos' geological interpretation of its drilling and land opportunities, including the ability of seismic activity to enhance such interpretation; and Lycos' ability to execute its plans and strategies.

Although Lycos believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Lycos can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, wars (including Russia's military actions in Ukraine), hostilities, civil insurrections, foreign exchange or interest rates, increased operating and capital costs due to inflationary pressures (actual and anticipated), volatility in the stock market and financial system, impacts of pandemics, the retention of key management and employees, risks with respect to unplanned third-party pipeline outages and risks relating to the Alberta wildfires, including in respect of safety, asset integrity and shutting in production. Ongoing military actions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the actions between these nations remains uncertain. Please refer to the annual information form for the year ended December 31, 2022, and the MD&A for additional risk factors relating to Lycos, which can be accessed either on the Company's website at www.lycosenergy.com or under the Company's profile on www.sedar.com. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. Lycos undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Future Oriented Financial Information

This press release contains future oriented financial information and financial outlook information (collectively, "FOFI") about Lycos' prospective results of operations and production, organic growth and acquisitions, operating costs, 2023 outlook and guidance, including capital, development and acquisition expenditures in 2023 and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Lycos' proposed business activities in 2023. Lycos and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results. Lycos disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be

used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Lycos' guidance. The Company's actual results may differ materially from these estimates.

Disclosure of Oil and Gas Information

Unit Cost Calculation. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in the report are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Product Types. Throughout this press release, "crude oil" or "oil" refers to heavy crude oil product types as defined by NI 51-101.

Short-Term Production. References in this press release to peak rates, IP30, IP60, IP180 and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Lycos.

Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures

This press release includes various specified financial measures, including non-IFRS financial measures, non-IFRS financial ratios and capital management measures as further described herein. These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and, therefore, may not be comparable with the calculation of similar measures by other companies.

"Adjusted Working Capital" is calculated as current assets less current liabilities, excluding the current portion of decommissioning liabilities and current portion of other obligations. Adjusted working capital is a capital management measure which management uses to assess the Company's liquidity. See the MD&A for a detailed calculation and reconciliation of Adjusted Working Capital to the most directly comparable measure presented in accordance with IFRS.

"Adjusted Funds Flow from Operations" is funds flow is calculated by taking cash flow from operating activities and adding back changes in non-cash working capital. Adjusted funds flow is further calculated by adding back decommissioning costs incurred and transaction costs. Management considers Adjusted Funds Flow from Operations to be a key measure to assess the performance of the Company's oil and gas properties and the Company's ability to fund future capital investment. Adjusted Funds Flow from Operations is an indicator of operating performance as it varies in response to production levels and management of costs. Changes in non-cash working capital, decommissioning costs incurred and transaction costs vary from period to period and management believes that excluding the impact of these provides a useful measure of Lycos' ability to generate the funds necessary to manage the capital needs of the Company. See the MD&A for a detailed calculation and reconciliation of Adjusted Funds Flow from Operations to the most directly comparable measure presented in accordance with IFRS.

"Net Operating Expenses" is operating expenses, less processing income primarily generated by third party volumes at processing facilities where the Company has an ownership interest. The Company's principal business is not that of a midstream entity whose activities are dedicated to earning processing and other infrastructure payments. Where the Company has excess capacity at its facilities, it will look to process third party volumes as a means to reduce the cost of operating/owning the facility.

"Operating Netback" is petroleum and natural gas revenues, less royalties, less net operating costs and transportation expenses, excluding the effects of financial derivatives. These metrics can also be calculated on a per boe basis, which results in them being considered a non-IFRS financial ratio. Management considers operating netback an important measure to evaluate Lycos' operational performance, as it demonstrates field level profitability relative to current

commodity prices. See the MD&A for a detailed calculation and reconciliation of operating netback per boe to the most directly comparable measure presented in accordance with IFRS.

"Total Petroleum and Natural Gas Sales, Net of Blending" is total petroleum and natural gas sales, net of blending expense to compare realized pricing to benchmark pricing. This is calculated by deducting the Company's blending expense from petroleum and natural gas sales. Blending expense is recorded within blending and transportation expense in the Condensed Interim Consolidated Financial Statements.

Please refer to the MD&A for additional information relating to specified financial measures including non-IFRS financial measures, non-IFRS financial ratios and capital management measures. The MD&A can be accessed either on the Company's website or under the Company's profile on www.sedar.com.

Abbreviations

bbl	barrels of oil
bbl/d	barrels of oil per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
IP30	average production for the first 30 days that a well is onstream
IP60	average production for the first 60 days that a well is onstream
IP180	average production for the first 180 days that a well is onstream
Mbbl	thousand barrels of oil
Mboe	thousand barrels of oil equivalent
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMcf	million cubic feet

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.