Lycos Energy Inc. Announces 2024 Budget

Calgary, Alberta--(Newsfile Corp. - February 1, 2024) - Lycos Energy Inc. (TSXV: LCX) ("**Lycos**" or the "**Company**") is pleased to announce its 2024 budget (the "**Budget**").

2024 Budget Highlights

- Capital expenditures [(1)] of $61.0 million, which includes the drilling of approximately 28 (27.2 net) wells consisting of the following:
    - 10 (9.2 net) fishbone multi-laterals
    - 7 (7 net) wine rack multi-laterals
    - 10 (10 net) conventional multi-laterals
    - 1 (1 net) injectors
- Lycos' 2024 drilling program will target multiple zones in the Mannville stack including the Sparky, Rex, Cummings, GP and Waseca sands.
- Forecasted annual average production of 4,700 boe/d (99% oil), delivering year-over-year growth in production per weighted average share of 25.3% and growth in adjusted funds flow from operations[(1)] per weighted average share of 54.9%, while spending within the Company's cash flow.
- Expected net operating expense [(1)] on a per boe basis to decrease by an additional 10% from 2023.
- Forecasted net debt to adjusted funds flow from operations ratio [(1)] of under 0.5X.

[(1)] See "*Reader Advisories - Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures*".

Lycos' 2024 Budget is summarized below:

	2024 Guidance [(1)] Year Ended December 31, 2024
Annual average production (boe/d)	4,700 boe/d (99% oil)
Average Q4 2024 production (boe/d)	5,500 boe/d (99% oil)
Capital expenditures[(2) (3)]	$ 61.0 million
Adjusted funds flow from operations[(2)]	$ 61.0 million
Adjusted working capital (net debt), end of year [(2) (3)]	($20.0) million
Net debt to adjusted funds flow from operations ratio, end of year [(2)]	0.3X

[(1)] 2024 Budget numbers are based on 2024 average pricing assumptions of: US$75.00 bbl WTI; (US$15.00) WCS differential; and $1.35 CAD/USD.
[(2)] See Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures.
[(3)] $4.0 million of 2024 capital expenditures were incurred in 2023 to accelerate Lycos' 2024 capital program, which impacted working capital (net debt), end of year 2023.

2023 Guidance Update

Lycos successfully completed its 2023 capital drilling program, concluding the year with estimated Q4 2023 average production of approximately 4,200 boe/d. As a result of the favorable drilling results, Lycos accelerated certain capital expenditures associated with its 2024 drilling program. Given the accelerated capital, coupled with the volatility and weakening of WTI and further widening of WCS differentials in November and December, the Company estimates its adjusted working capital (net debt)[(1)] at the end of 2023 to be ($17.2) million.

[(1)] See "*Reader Advisories - Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures*".

About Lycos

Lycos is an oil-focused, exploration, development and production company based in Calgary, Alberta, operating high-quality, heavy-oil, development assets in the Lloydminster, Greater Lloydminster area and Gull Lake, Saskatchewan.

Additional Information

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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; capital program and operational results for 2024; the Company's expectations regarding drilling plans, forecasted annual average production, net operating expenses, and growth forecasts; expectations regarding commodity prices and heavy oil differentials; 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; expectations in respect of the Company's wells, including anticipated benefits and results; and the source of funding for the Company's activities.

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 geological characteristics of Lycos' properties; the successful integration of the recently acquired assets into Lycos' operations; 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: unforeseen difficulties in integrating recently acquired assets into Lycos' operations; incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs; fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, wars (including Russia's military actions in Ukraine, the Israel-Hamas conflict in Gaza and Houthi attacks in the Red Sea), 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, 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 management discussion and analysis for the period ended September 30, 2023 (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 SEDAR+ profile at www.sedarplus.ca. 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, forecasted annual average production, forecasted net debt to adjusted funds flow from operations ratio, organic growth and acquisitions, expected growth rates, growth in adjusted funds flow from operations, operating costs, expected net operating expenses per boe, 2024 budget and guidance, including exploration, development and acquisition expenditures in 2024 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 2024. 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 National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

Short Term Results. References in this press release to peak rates, initial production rates, 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 (net debt)** (capital management measure)" is calculated as current assets less current liabilities, excluding the current portion of decommissioning liabilities and financial derivative receivable and liabilities. Adjusted working capital (Net Debt) 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 (net debt) to the most directly comparable measure presented in accordance with IFRS.

"**Adjusted funds flow from operations** (capital management measure)" 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.

"**Capital expenditures** (non-IFRS financial measure)" includes exploration and development capital, facilities, land and seismic and acquisitions and dispositions. Management considers capital expenditures to be a key measure to assess the Company's capital investment in exploration and production activity, as well as property acquisitions and dispositions. The directly comparable IFRS measure to capital expenditures is net cash used in investing activities.

"**Net debt to adjusted funds flow from operations ratio** (non-IFRS financial ratio)" is calculated as net debt divided by adjusted funds flow from operations for the applicable period. Lycos utilizes net debt to adjusted funds flow from operations to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Lycos monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns.

"**Net operating expenses** (non-IFRS financial measure)" 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.

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 SEDAR+ profile on www.sedarplus.ca.

Assumptions for 2024 Guidance

The significant assumptions used in the forecast of adjusted funds flow from operations for 2024 include: annual average production of 4,800 boe/d, WTI of US$75.00/bbl, WCS of CDN$83.70, annual average foreign exchange rate of CDN$/US$ of $1.35, annual average blending expense of WCS less $8.58/bbl, royalty rate of 14%, operating costs of $22.12/boe, transportation costs of $0.95/boe, general and administrative expense of $3.08/boe, and interest expense and other of $1.00/boe.

Holding all other assumptions constant, a US$1.00/bbl increase (decrease) in the forecasted average US$ WTI crude oil price for 2024 would increase adjusted funds flow by approximately $1.6 million (decrease by $1.6 million).

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
CDN$	Canadian dollars
Mbbl	thousand barrels of oil
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMcf	million cubic feet
US	United States
US$	US dollars
WCS	Western Canadian Select
WTI	West Texas Intermediate

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

LYCOS ENERGY INC.