

Q4/YE 2025



TSXV: LCX

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (the "MD&A") as provided by the management team ("Management") of Lycos Energy Inc. ("Lycos" or the "Company") is dated April 8, 2026, and should be read in conjunction with the audited financial statements as at and for the year ended December 31, 2025 and 2024, and the notes thereto (the "Annual Financial Statements"). The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles which require publicly accountable enterprises to prepare their financial statements in accordance with International Financial Reporting Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are referenced in Canadian dollars unless otherwise stated. Additional information relating to Lycos, including the Company's Annual Information Form for the year ended December 31, 2025, is available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca. This MD&A should also be read in conjunction with Lycos' disclosure under "Forward-Looking Information and Statements" below.

Description of the Business

Lycos is a Canadian resource company engaged in the exploration for and development of petroleum and natural gas production in western Canada. The Company is currently developing heavy oil assets, targeting the Mannville stack, in Central Alberta.

Q4 2025 Highlights

Highlights for the three months ended December 31, 2025, include:

- Average production of 1,729 boe/d (96% crude oil) generated adjusted funds flow from operations⁽¹⁾ of \$4.1 million in Q4 2025, compared to \$14.4 million on average production of 4,570 boe/d (97% crude oil) in Q4 2024, representing a 72% decrease, primarily as a result of the previously announced asset dispositions.
- Adjusted funds flow from operations⁽¹⁾ per boe declined 25% to \$25.79 from \$34.30, reflecting lower volumes, partially offset by improved operating costs.
- Net operating expenses⁽¹⁾ per boe improved to \$21.29/boe in Q4 2025 from \$21.88/boe in Q4 2024, despite significantly lower production volumes, reflecting the disposition of higher-cost assets and a structurally improved cost profile.
- On October 15, 2025, the Company closed the disposition of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta (the "North Disposition") for \$60.0 million, before closing adjustments. The assets produced approximately 940 bbl/d. The Company utilized approximately \$9.0 million of the net proceeds towards debt repayment and distributed \$47.9 million of the net proceeds as a return of capital to shareholders in the amount of \$0.90 per Common Share (the "Return of Capital"). The Return of Capital was paid on November 28, 2025.
- On October 1, 2025, the Company closed the disposition of certain properties in Elnora, Alberta (the "Elnora Disposition") for \$0.3 million, before closing adjustments. The assets produced approximately 30 boe/d and had higher net operating expenses, averaging approximately \$60.80/boe.
- Subsequent to December 31, 2025, the Company closed the previously announced business combination with Mahikan Oil Corporation ("Mahikan"). Pursuant to the transaction, Lycos acquired all of the issued and outstanding common shares of Mahikan in exchange for 29,781,301 common shares of Lycos, representing an exchange ratio of 0.60 Lycos common shares for each Mahikan share held, and the assumption of Mahikan's outstanding indebtedness. Concurrent with closing, the Company completed a non-brokered private placement at \$1.20 per share for gross proceeds of \$30.0 million.

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- Reduced net debt⁽¹⁾ and exited the year with positive adjusted working capital⁽¹⁾, following the North Disposition and completion of the Return of Capital.

⁽¹⁾ See the sections titled "Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures".

Fourth Quarter Operational and Financial Highlights

(\$ in thousands, except per share)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Total petroleum and natural gas sales,						
net of blending⁽¹⁾	10,250	30,196	(66)%	79,616	123,722	(36)%
Cash flow from operating activities	5,358	12,898	(58)%	36,780	50,791	(28)%
Per share - basic	\$ 0.10	\$ 0.24	(58)%	\$ 0.69	\$ 0.96	(28)%
Per share - diluted	\$ 0.10	\$ 0.24	(58)%	\$ 0.69	\$ 0.96	(28)%
Adjusted funds flow from operations⁽¹⁾	4,101	14,421	(72)%	35,799	59,044	(39)%
Per share - basic	\$ 0.08	\$ 0.27	(70)%	\$ 0.67	\$ 1.11	(40)%
Per share - diluted	\$ 0.08	\$ 0.27	(70)%	\$ 0.67	\$ 1.11	(40)%
Net income (loss)⁽³⁾	169	(13,442)	(101)%	(49,605)	(905)	5381%
Per share - basic	\$ -	\$ (0.25)	(100)%	\$ (0.93)	\$ (0.02)	4550%
Per share - diluted	\$ -	\$ (0.25)	(100)%	\$ (0.93)	\$ (0.02)	4550%
Capital expenditures⁽¹⁾ - exploration & development	2,007	9,824	(80)%	31,672	67,813	(53)%
Capital expenditures⁽¹⁾ - net acquisitions & dispositions	(56,084)	(1,235)	4441%	(31,443)	56,754	(155)%
Adjusted working capital (net debt)⁽¹⁾	9	(17,661)	(100)%	9	(17,661)	(100)%
Weighted average shares outstanding (thousands)						
Basic	53,238	53,238	0%	53,238	53,160	0%
Diluted	53,238	53,238	0%	53,238	53,160	0%
Average daily production:						
Crude oil (bbls/d)	1,663	4,421	(62)%	3,071	4,393	(30)%
Natural gas (mcf/d)	394	893	(56)%	577	494	17%
Total (boe/d)	1,729	4,570	(62)%	3,167	4,475	(29)%
Realized prices:						
Crude oil (\$/bbl) ⁽²⁾	66.77	73.91	(10)%	70.80	76.76	(8)%
Natural gas (\$/mcf)	1.00	0.92	9%	1.12	0.81	38%
Total (\$/boe)	64.46	71.68	(10)%	68.86	75.44	(9)%
Operating netback (\$/boe)⁽¹⁾						
Petroleum and natural gas revenues⁽²⁾	64.46	71.68	(10)%	68.86	75.44	(9)%
Realized gain (loss) on financial derivatives	1.14	(0.20)	(670)%	(0.22)	(0.20)	10%
Royalties	(9.38)	(9.93)	(6)%	(10.62)	(10.81)	(2)%
Net operating expenses⁽¹⁾	(21.29)	(21.88)	(3)%	(19.74)	(22.90)	(14)%
Transportation expenses	(3.51)	(1.47)	139%	(2.53)	(1.49)	70%
Operating netback, including financial derivatives (\$/boe)⁽¹⁾	31.42	38.20	(18)%	35.75	40.04	(11)%
Adjusted funds flow from operations (\$/boe)⁽¹⁾	25.79	34.30	(25)%	30.96	36.05	(14)%

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

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

⁽³⁾ The year ended December 31, 2025 includes a non-cash loss on dispositions of \$40.8 million (2024 - \$22.2 million) and a non-cash impairment expense of \$23.2 million (2024 - \$nil).

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Results of Operations

Production

(6:1 boe conversion)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Daily production:						
Crude oil (bbls/d)	1,663	4,421	(62)%	3,071	4,393	(30)%
Natural gas (mcf/d)	394	893	(56)%	577	494	17%
Total (boe/d)	1,729	4,570	(62)%	3,167	4,475	(29)%
% Crude oil	96%	97%	(1)%	97%	98%	(1)%

Production for the three months and year ended December 31, 2025, averaged 1,729 boe/d (96% crude oil) and 3,167 boe/d (97% crude oil), a decrease of 62% and 29%, respectively, as compared against production of 4,570 boe/d (97% crude oil) and 4,475 (98% crude oil) in the comparable periods of 2024.

Production for the three months and year ended December 31, 2025 decreased primarily due to asset dispositions completed in 2025, including the SW Saskatchewan disposition (325 boe/d), the Frog Lake disposition (130 boe/d), the Lloydminster disposition (470 boe/d), the Elnora Disposition (30 boe/d) and the North Disposition (940 boe/d). The decline also reflects natural production declines and the absence of initial flush production from new wells due to lower exploration and development activity in the periods.

Natural gas production is not a significant component of the Company's production.

Petroleum and Natural Gas Sales

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Crude oil	10,214	37,162	(73)%	82,651	153,191	(46)%
Less: Blending expense	-	7,100	(100)%	3,285	29,780	(89)%
Crude oil, net of blending ⁽¹⁾	10,214	30,062	(66)%	79,366	123,411	(36)%
Natural gas	36	75	(52)%	238	147	62%
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	10,250	30,137	(66)%	79,604	123,558	(36)%
Processing income	-	59	(100)%	12	164	(93)%
Total petroleum and natural gas sales, net of blending ⁽¹⁾	10,250	30,196	(66)%	79,616	123,722	(36)%

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

Total petroleum and natural gas revenues, net of blending for the three months ended December 31, 2025 was \$10.3 million as compared to \$30.1 million in the comparable period of 2024. The decrease in petroleum and natural gas revenues, net of blending was primarily the result of a 62% decrease in crude oil production volumes combined with a 10% decrease in the realized crude oil price over the comparable period of 2024. The decrease in the realized price is consistent with the decrease in benchmark WCS pricing over the period, partially offset by marketing initiatives to optimize sales points and increase received price.

Total petroleum and natural gas revenues, net of blending for the year ended December 31, 2025 was \$79.6 million as compared to \$123.6 million in the comparable period of 2024. The decrease in petroleum and natural gas revenues, net of blending was primarily the result of a 30% decrease in crude oil production volumes combined with an 8% decrease in the realized crude oil price over the comparable period of 2024. The decrease in the realized price is consistent with the decrease in benchmark WCS pricing over the period.

Blending expense for the three months and year ended December 31, 2025 decreased from the comparable periods due to a change in contractual terms, whereby the Company did not act as shipper on the Manito pipeline from March 2025 onward. Therefore, blending costs reduce crude oil sales from March 2025 onward.

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Benchmark and Realized Prices

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Averaged realized prices:						
Crude oil (\$/bbl) ⁽¹⁾⁽³⁾	66.77	73.91	(10)%	70.80	76.76	(8)%
Natural gas (\$/mcf) ⁽¹⁾	1.00	0.92	9%	1.12	0.81	38%
Barrels of oil equivalent (\$/boe) ⁽²⁾⁽³⁾	64.46	71.68	(10)%	68.86	75.44	(9)%
Benchmark prices:						
WTI (\$US/bbl)	59.14	70.27	(16)%	64.81	75.72	(14)%
WCS differential to WTI (US\$/bbl)	(11.20)	(12.55)	(11)%	(11.13)	(14.76)	(25)%
WCS (\$Cdn/bbl)	66.89	80.75	(17)%	75.06	83.53	(10)%
Condensate at Edmonton (\$Cdn/bbl)	79.44	98.60	(19)%	88.49	99.56	(11)%
Exchange rate (\$Cdn/\$US)	1.39	1.40	(1)%	1.41	1.37	3%

(1) "Crude oil" refers to heavy crude oil and natural gas liquids combined. "Natural gas" refers to conventional gas combined.

(2) Disclosure of production on a per boe basis in this MD&A consists of the constituent product types and their respective quantities disclosed in the "Product Type Information" section of this MD&A. Also refer to the "BOE Presentation" section of this MD&A.

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

The Company takes all its working interest production "in kind" which is marketed and sold through various credit-worthy commodity purchasers. Lycos' crude oil is marketed under short-term (30 day) or fixed price contracts with crude oil marketers and through major North American crude oil purchasers. All the Company's natural gas is currently sold as spot gas through significant North American natural gas marketers.

Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. Prices received for crude oil are determined by the quality of the crude oil compared to the benchmark price for WCS crude oil expressed in Canadian dollars, which is determined by the price for WTI, the exchange rate between the Canadian dollar and the US dollar, the heavy oil differential between WTI and WCS denominated in US dollars, and field level price adjustments for quality of crude oil and diluent costs to blend oil to meet pipeline specifications.

For the three months and year ended December 31, 2025, benchmark WTI pricing decreased by 16% and 14%, respectively, when compared to the comparable periods of 2024 due to economic uncertainty attributed to continuing concerns over U.S. tariffs, global trade tensions, and increased production from OPEC+. WCS differentials narrowed primarily as a result of increased egress for Canadian heavy crude oil given the increased capacity from the Trans Mountain Pipeline.

The Company's realized crude oil price, net of blending, for the three months and year ended December 31, 2025, was \$66.77/bbl and \$70.80/bbl, respectively, as compared to \$73.91/bbl and \$76.76/bbl in the comparable periods of 2024. For the three months and year ended December 31, 2025, realized prices decreased in line with lower benchmark WCS pricing, partially offset by marketing initiatives to optimize sales points and improve netbacks. The three months ended December 31, 2025, was further impacted by a strengthening Canadian dollar, while the full year reflected the impact of a weaker Canadian dollar relative to 2024.

Risk Management

Financial Derivatives

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Realized gain (loss)	182	(83)	319%	(254)	(324)	(22)%
Unrealized gain (loss)	(22)	478	(105)%	(89)	(670)	(87)%
Gain (loss) on financial derivatives	160	395	(59)%	(343)	(994)	(65)%
Realized gain (loss) per boe (\$)	1.14	(0.20)	670%	(0.22)	(0.20)	10%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company incurred a realized gain of \$0.2 million and a realized loss of \$0.3 million for the three months and year ended December 31, 2025, respectively, as compared to a realized loss of \$0.1 million and a realized loss of \$0.3 million, for the comparable periods of 2024. The realized gain/loss in the periods were the result of the fixed price of the financial derivative commodity contracts being higher/lower respectively than the settlement price in the periods.

The Company recognized an unrealized loss of \$22 thousand and \$0.1 million for the three months and year ended December 31, 2025, respectively, as compared to an unrealized gain of \$0.5 million and an unrealized loss of \$0.7 million in the comparable periods of 2024. The unrealized gain/loss is a result of the non-cash change in the mark-to-market values over the periods on the Company's outstanding financial derivative contracts.

Financial Derivative Commodity Contracts

Lycos maintains an ongoing risk management program to reduce the volatility of revenues to fund operations and capital expenditures.

As at December 31, 2025, the Company had no financial derivative commodity contracts outstanding.

Subsequent to December 31, 2025, the Company entered into the following financial derivative commodity contracts:

Type	Type	Remaining Term	Volume	Put Price	Call Price	Swap Price
WCS	Swap	April 2026	250 bbl/d			CAD \$101.50
Collar	Collar	Apr - Jun 2026	250 bbl/d	CAD \$90.00	CAD \$103.35	
Collar	Collar	Jul - Sep 2026	250 bbl/d	CAD \$83.00	CAD \$109.85	
Collar	Collar	Jul - Sep 2026	250 bbl/d	CAD \$95.00	CAD \$142.20	
WCS Differential	Swap	Jul - Sep 2026	250 bbl/d			USD (\$12.25)

Royalties

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Royalty expenses	1,491	4,176	(64)%	12,273	17,698	(31)%
Royalty rate ⁽¹⁾	14.5%	13.9%	4%	15.4%	14.3%	8%
Per boe (\$)	9.38	9.93	(6)%	10.62	10.81	(2)%

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

Royalties are paid to provincial governments, Indian Oil and Gas Canada, freehold mineral rights owners and royalty contract owners and include the Saskatchewan resource surcharge. Royalties are calculated based on revenue less allowed costs of transportation and processing and are generally expressed as a percentage of revenue. Royalty rates can vary due to several factors including commodity prices, mix of production subject to each type of royalty, commodity produced, royalty contract terms, and royalty incentive schemes. Under the Alberta Modernized Royalty Framework, the Company will pay a flat royalty of 5% on a well's production until the well's total revenue exceeds the Drilling and Completion Cost Allowance (C*), then royalty rates increase on a sliding scale up to 40% depending on commodity reference pricing.

Royalties for the three months and year ended December 31, 2025 were \$1.5 million or a 14.5% royalty rate and \$12.3 million or a 15.4% royalty rate, respectively, as compared to \$4.2 million or a 13.9% royalty rate and \$17.7 million or a 14.3% royalty rate in the comparable periods of 2024. On an absolute dollar basis, royalties decreased from the comparable periods due to lower petroleum and natural gas revenues and lower reference pricing. On a royalty rate basis, royalties increased over the comparable periods due to wells coming off royalty incentives.

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Net Operating Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Operating expenses	3,385	9,259	(63)%	22,830	37,675	(39)%
Less: processing income	-	59	(100)%	12	164	(93)%
Total net operating expenses ⁽¹⁾	3,385	9,200	(63)%	22,818	37,511	(39)%
Per boe (\$)	21.29	21.88	(3)%	19.74	22.90	(14)%

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

For the three months and year ended December 31, 2025, net operating expenses decreased to \$3.4 million and \$22.8 million, respectively, from \$9.2 million and \$37.5 million in the comparable periods of 2024 due to lower production volumes and cost savings from the dispositions. The Company is focused on cost optimization at its retained core properties, including enhanced operational procedures, improved logistics, and streamlined field activities to further reduce net operating expenses.

On a per boe basis, net operating expenses for the three months and year ended December 31, 2025 were \$21.29 and \$19.74, respectively, compared to \$21.88 and \$22.90 in the comparable periods of 2024. The decrease primarily reflects the disposition of higher-cost assets, including SW Saskatchewan (\$43.27/boe), Frog Lake (\$49.20/boe), Lloydminster (\$46.86/boe), and the Elnora Disposition (\$60.80/boe), partially offset by the North Disposition, which had lower net operating expenses of approximately \$8.50/boe.

Transportation Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Transportation expenses	558	619	(10)%	2,928	2,433	20%
Per boe (\$)	3.51	1.47	139%	2.53	1.49	70%

Transportation expenses include the cost of transporting natural gas and the cost to truck clean crude oil from the field to sales points and may fluctuate based on product mix and the proximity to delivery points. For the three months ended December 31, 2025, total transportation expenses decreased compared to the same period of 2024 due to lower production volumes. For the year ended December 31, 2025, total transportation expenses increased year over year, primarily due to increased clean oil trucking undertaken to optimize received pricing.

On a per boe basis, transportation expenses increased in both the quarter and full year relative to 2024, reflecting lower production volumes and higher clean oil trucking activity.

Operating Netback

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Total petroleum and natural gas revenues, net of blending ⁽¹⁾	10,250	30,137	(66)%	79,604	123,558	(36)%
Royalties	(1,491)	(4,176)	(64)%	(12,273)	(17,698)	(31)%
Net operating expenses ⁽¹⁾	(3,385)	(9,200)	(63)%	(22,818)	(37,511)	(39)%
Transportation expenses	(558)	(619)	(10)%	(2,928)	(2,433)	20%
Operating netback⁽¹⁾	4,816	16,142	(70)%	41,585	65,916	(37)%
Realized gain (loss) on financial derivatives	182	(83)	(319)%	(254)	(324)	(22)%
Operating netback⁽¹⁾, including financial derivatives	4,998	16,059	(69)%	41,331	65,592	(37)%

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(\$/boe)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Total petroleum and natural gas revenues, net of blending ⁽¹⁾⁽²⁾	64.46	71.68	(10)%	68.86	75.44	(9)%
Royalties	(9.38)	(9.93)	(6)%	(10.62)	(10.81)	(2)%
Net operating expenses ⁽¹⁾	(21.29)	(21.88)	(3)%	(19.74)	(22.90)	(14)%
Transportation expenses	(3.51)	(1.47)	139%	(2.53)	(1.49)	70%
Operating netback⁽¹⁾	30.28	38.40	(21)%	35.97	40.24	(11)%
Realized gain (loss) on financial derivatives	1.14	(0.20)	(670)%	(0.22)	(0.20)	10%
Operating netback⁽¹⁾, including financial derivatives	31.42	38.20	(18)%	35.75	40.04	(11)%

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

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

For the three months ended December 31, 2025, operating netback decreased compared to 2024 primarily due to lower realized pricing and production, offset by lower net operating expenses, royalties and transportation. For the year ended December 31, 2025, operating netback decreased compared to 2024, primarily due to lower realized pricing, reduced production volumes and higher transportation expenses, partially offset by lower net operating expenses and royalties.

On a per boe basis the operating netback was further impacted by lower production volumes in the current periods than the comparable periods of 2024.

General and Administrative (“G&A”) Expenses

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
G&A expenses	1,267	2,003	(37)%	6,640	8,551	(22)%
Capitalized G&A and overhead recoveries	(318)	(794)	(60)%	(2,004)	(3,486)	(43)%
Net G&A expenses	949	1,209	(22)%	4,636	5,065	(8)%
Per boe (\$)	5.97	2.88	107%	4.01	3.09	30%

For the three months and year ended December 31, 2025, the Company's net G&A expenses decreased as compared to the same periods of 2024 primarily due to personnel reductions resulting from the dispositions. Capitalized G&A and overhead recoveries decreased over the comparable periods of 2024 due to lower capital expenditures and asset dispositions. On a per boe basis, G&A expenses increased as compared to the same periods of 2024 due to the decrease in production.

Stock-based Compensation

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Stock options	241	775	(69)%	1,332	3,765	(65)%
Capitalized stock-based compensation	(103)	(325)	(68)%	(519)	(1,553)	(67)%
Stock-based compensation	138	450	(69)%	813	2,212	(63)%
Per boe (\$)	0.87	1.07	(19)%	0.70	1.35	(48)%

The Company has a stock option plan in place pursuant to which the Company may grant options to eligible participants to acquire a maximum number of common shares of the Company (“Common Shares”) equal to 10% of the total issued and outstanding Common Shares of the Company. The stock options expire five years from the date of grant and vest as to one-third on each of the first, second and third anniversary of the grant date. Stock-based compensation is recorded over a three-year vesting period using graded amortization resulting in a higher proportion of expense being recognized earlier in the vesting term.

During the three months and year ended December 31, 2025, the Company recorded gross stock-based compensation expense of \$0.2 million and \$1.3 million, respectively, as compared to \$0.8 million and \$3.8 million in the comparable periods of 2024.

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The Company capitalizes stock-based compensation expense related to petroleum and natural gas exploration and development activities. For the three months ended December 31, 2025, Lycos recorded capitalized stock-based compensation expense of \$0.1 million and \$0.5 million, respectively, as compared to \$0.3 million and \$1.6 million in the comparable periods of 2024.

The decrease in gross and capitalized stock-based compensation from the comparable periods of 2024 is primarily related to the impact of graded amortization and forfeitures associated with personnel reductions from dispositions, resulting in a lower expense in the current periods.

The following table summarizes the changes in the outstanding stock options for the years:

	December 31, 2025		December 31, 2024	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Options outstanding, beginning of year	3,885,725	\$ 4.02	3,716,250	\$ 4.07
Granted	-	\$ -	244,225	\$ 2.80
Forfeited	(795,300)	\$ 3.84	(74,750)	\$ 2.71
Options outstanding, end of year	3,090,425	\$ 4.07	3,885,725	\$ 4.02

The range of exercise price of stock options outstanding and exercisable as at December 31, 2025, is as follows:

Outstanding options				Exercisable options		
Exercise price	Number of Options Outstanding	Weighted average remaining term (years)	Weighted average exercise price	Number of Options Outstanding	Weighted average exercise price	
\$ 3.19 - \$ 4.40	3,090,425	2.46	\$ 4.07	2,033,475	\$ 4.08	

Depletion and Depreciation ("D&D")

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Depletion and depreciation	3,829	9,470	(60)%	26,895	37,383	(28)%
Per boe (\$)	24.08	22.52	7%	23.26	22.82	2%

D&D per boe will fluctuate from one period to the next depending on the amount and type of capital expenditures, the recognition or reversal of impairments, the amount of reserves and future development costs added and production volumes.

Depletion of oil and gas assets is calculated using the unit-of-production method based on total proved and probable petroleum and natural gas reserves, including future development costs. Depletion and depreciation expense for the three months and year ended December 31, 2025 was \$3.8 million and \$26.9 million, respectively, compared to \$9.5 million and \$37.4 million for the comparable periods of 2024. The decrease reflects lower production volumes and a reduced depletable base following the Frog Lake, Lloydminster, the Elnora Disposition and the North Disposition.

On a per boe basis, D&D for the three months and year ended December 31, 2025, increased as compared to the corresponding periods of 2024, primarily due to a reduction in the Company's reserves base following the asset dispositions and the impairment recorded in Q2 2025.

Cash-Generating Unit ("CGU") Composition

In Q1 2025, the Company completed an internal assessment of its operations following the SW Saskatchewan Disposition. As a result of this assessment, and in accordance with International Accounting Standard 36 – *Impairment of Assets*, which forms part of the IFRS as issued by the IASB, management determined that it was appropriate to consolidate its remaining asset base into a single CGU, the East Central Alberta CGU, effective January 1, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The revised CGU structure reflects the manner in which the Company now generates independent cash inflows and monitors performance internally. The amalgamation of CGUs did not impact the carrying amount of assets with no impairment indicators identified resulting from the CGU reorganization and no impairment losses were recognized related to the CGU consolidation process.

Impairment

Exploration and Evaluation Assets

As at December 31, 2025 the Company transferred land, geological costs and drilling and completion costs to PP&E at a value of \$24.2 million (Q1 2025 - \$13.6 million, Q2 2025 - \$10.5 million, Q4 2025 - \$0.1 million). Impairment tests were performed on transfers to PPE and no impairments were recorded to E&E as a result of the transfers during the year-ended December 31, 2025.

Property, Plant & Equipment

The Company identified indicators of impairment at June 30, 2025 for its East Central, Alberta CGU. In accordance with IAS 36, the Company performed an impairment test to estimate its recoverable amount where it was determined that the carrying value of the CGU exceeded its recoverable amount of \$146.8 million, resulting in an impairment loss of \$23.2 million being recognized at June 30, 2025. The indicators of impairment existed as a result of the decrease in the Company's market capitalization, along with the loss recorded on the Lloydminster Saskatchewan disposition contained within the CGU.

The recoverable amount of the CGU was estimated using value-in-use, based on the net present value of before tax cash flows from proved and probable petroleum and natural gas reserves along with forecasted oil and gas commodity prices estimated by the Company's internal reserve evaluator discounted at a rate of 17 percent to consider risks specific to the CGU.

For purposes of the June 30, 2025 impairment test, the Company's internal reserve evaluator updated the significant assumptions from the external independent qualified reserve evaluator's estimate of proved and probable petroleum and natural gas reserves and the related cash flows from December 31, 2024. The forecasted commodity prices are consistent with those used by the Company's external reserve evaluators as at June 30, 2025 and are a key assumption in assessing recoverable amount. The internal reserve evaluator also included financial assumptions regarding royalty rates, operating costs, and future development capital that can significantly impact the recoverable amount which is assigned based on historical rates and future anticipated activities by management.

Year	WTI Price - Oil (US\$/bbl) ⁽¹⁾	WCS Price - Oil (\$/bbl)	AECO Price - Gas (\$/MMBtu) ⁽¹⁾	Exchange Rate (\$Cdn/\$US)
2025	64.00	71.53	2.43	0.72
2026	68.00	76.55	3.42	0.73
2027	68.00	74.00	3.28	0.75
2028	69.36	75.48	3.35	0.75
2029	70.75	76.99	3.41	0.75
2030	72.16	78.53	3.48	0.75
2031	73.61	80.10	3.55	0.75
2032	75.08	81.70	3.62	0.75
2033	76.58	83.34	3.69	0.75
2034	78.11	85.00	3.77	0.75
2035	79.67	86.70	3.84	0.75

Escalation rate of 2% per year thereafter

⁽¹⁾ The forecast benchmark commodity prices listed are adjusted for quality differentials, heat content, transportation and marketing costs and other factors specific to the Company's operations in performing the Company's impairment test.

The Company conducted an assessment of indicators of impairment and concluded that there were no new indicators of impairment or impairment reversal identified as at December 31, 2025. Accordingly, the impairment loss recognized at June 30, 2025 remains unchanged as at December 31, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dispositions

Financial Year Ended December 31, 2025

The Company completed the following dispositions in the year ending December 31, 2025:

	Frog Lake, Alberta	Lloydminster, Saskatchewan	Elnora, Alberta	Northern, Alberta	Total
Cash consideration ⁽¹⁾⁽²⁾	2,954	2,500	242	58,683	64,379
Transaction costs	(52)	(300)	(13)	(958)	(1,323)
PP&E disposed ⁽¹⁾	(3,624)	(54,413)	(1,024)	(49,998)	(109,059)
E&E disposed	-	(43)	-	(8,523)	(8,566)
Decommissioning liabilities	724	11,021	1,024	967	13,736
Gain (loss) on dispositions	2	(41,235)	229	171	(40,833)

⁽¹⁾ Cash consideration and PP&E disposed do not include land disposed in the East Central Alberta area for \$0.1 million.

⁽²⁾ Cash consideration reflects total gross proceeds inclusive of customary closing adjustments

Frog Lake, Alberta

On May 29, 2025, the Company closed the Frog Lake disposition, disposing of certain assets in the Frog Lake area of Alberta for gross proceeds of \$2.8 million before closing adjustments and transaction costs.

Lloydminster, Saskatchewan

On June 30, 2025, the Company closed the Lloydminster, Saskatchewan disposition, disposing of its remaining non-core assets in Lloydminster, Saskatchewan for gross proceeds of \$2.5 million before closing adjustments and transaction costs. Lycos retains the rights to drill on any and all undeveloped lands by way of a sublease issued from the acquirer to Lycos which lands are subject to an 8% GORR on new drills in the area. This lease is renewed annually subject to Lycos drilling one well in the calendar year on the subject lands. In conjunction with this transaction, Lycos settled the processing credit that was recorded in prepaid expenses and deposits and other long-term assets and the sublease on the Southwest Saskatchewan lands was extended to December 31, 2026.

Elnora, Alberta

On October 1, 2025, the Company closed the Elnora Disposition, disposing of certain assets in the Elnora area of Alberta for gross proceeds of \$0.3 million before closing adjustments and transaction costs.

Northern, Alberta

On October 15, 2025, the Company closed an agreement to dispose of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta for gross proceeds of \$60.0 million before closing adjustments and transaction costs.

Financial Year Ended December 31, 2024

The Company completed the following dispositions in the year ending December 31, 2024:

	Southwest Saskatchewan	Greater Lloydminster, Alberta	Total
Cash consideration ⁽¹⁾⁽²⁾	10,316	2,939	13,255
Transaction costs	(71)	(73)	(144)
PP&E disposed	(37,984)	-	(37,984)
E&E Disposed	(755)	(3,298)	(4,053)
Decommissioning liabilities	6,197	548	6,745
Gain (loss) on dispositions	(22,297)	116	(22,181)

⁽¹⁾ Cash consideration includes the processing credit \$1.8 million and other working capital adjustments \$0.2 million included in the transaction.

⁽²⁾ Cash consideration reflects total gross proceeds inclusive of customary closing adjustments

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southwest Saskatchewan

On December 31, 2024 the Company disposed of certain non-core assets and facilities in Gull Lake and Lloydminster Saskatchewan for gross proceeds of \$9.8 million before closing adjustments and transaction costs. As part of the consideration, Lycos received a processing credit of \$1.8 million (\$0.8 million was classified as current in prepaid expenses and deposits and \$1.0 million was classified as other long-term asset).

Lycos retains the rights to drill on any and all undeveloped lands by way of a sublease issued from the acquirer to Lycos and is subject to an 8% GORR on new drills in the area. This lease is renewed annually subject to Lycos drilling one well in the calendar year on the subject lands.

Greater Lloydminster, Alberta

In connection with a 2023 land acquisition, the Company paid a \$2.8 million deposit for certain lands that were held in escrow pending closing conditions. In July 2024, the escrow funds were released and the land and related decommissioning liabilities transferred to the Company. In connection with the closing of this transaction, the Company entered into a purchase and sale agreement to dispose of the lands for gross proceeds of \$2.8 million before closing adjustments and transaction costs.

Transaction Costs

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Transaction costs	171	(33)	(618)%	1,259	215	486%
Per boe (\$)	1.08	(0.08)	(1450)%	1.09	0.13	738%

Transaction costs for the three months and year ended December 31, 2025 were \$0.2 million and \$1.3 million, compared to (\$33) thousand and \$0.2 million in the comparative periods of 2024. Transaction costs in the three months ending December 31, 2025 relate to legal costs associated with deal flow and the Return of Capital. Transaction costs for the year ended December 31, 2025, primarily the strategic review process and legal fees associated with transaction execution and deal flow. The strategic process was concluded on May 29, 2025.

Finance Expense

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Accretion of decommissioning liabilities	126	247	(49)%	725	1,081	(33)%
Interest expense	113	432	(74)%	1,072	1,538	(30)%
Interest on lease obligations	10	12	(17)%	34	54	(37)%
Finance expense	249	691	(64)%	1,831	2,673	(32)%
Per boe (\$)	1.57	1.64	(4)%	1.58	1.63	(3)%

The Company's finance expense for the three months and year ended December 31, 2025 was \$0.2 million and \$1.8 million, respectively, as compared to \$0.7 million and \$2.7 million, in the comparable periods of 2024. The decrease in finance expense is primarily due to lower interest expense associated with lower bank debt and interest rates and lower accretion of decommissioning liabilities due to the dispositions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taxes

The following table outlines the Company's estimated tax pools as at December 31, 2025:

(\$ in thousands)	December 31, 2025	Annual Deductibility
Undepreciated capital cost	221	Primarily 25% declining
Canadian development expense	38,507	30% declining
Canadian development expense - successored	3,259	30% declining
Canadian oil and gas property expense - successored	10,363	10% declining
Non-capital loss carry forward	53,924	100%
Share & debt issue costs	2,952	20% straight line
Total	109,226	

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Deferred income tax recovery	-	(3,986)	(100)%	(8,444)	(3,847)	119%

For the three months and year ended December 31, 2025, the Company recorded a \$nil and \$8.4 million deferred income tax recovery, respectively, as compared to a \$4.0 million and \$3.8 million deferred income tax recovery in the comparable periods of 2024. The deferred income tax recovery recorded in the year ended December 31, 2025, relates to a net loss before income taxes being recognized in the period.

Cash flow from Operating Activities, Adjusted Funds Flow and Net Income (Loss)

(\$ in thousands, except per share)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Cash flow from operating activities	5,358	12,898	(58)%	36,780	50,791	(28)%
Adjusted funds flow from operations⁽¹⁾	4,101	14,421	(72)%	35,799	59,044	(39)%
Net income (loss)	169	(13,442)	(101)%	(49,605)	(905)	5381%
Per share - basic	\$ -	\$ (0.25)	(100)%	\$ (0.93)	\$ (0.02)	4550%
Per share - diluted	\$ -	\$ (0.25)	(100)%	\$ (0.93)	\$ (0.02)	4550%

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

The Company recorded net income of \$0.2 million (\$0.00 per basic and diluted share) and a net loss of \$49.6 million ((\$0.93) per basic and diluted share) for the three months and year ended December 31, 2025, respectively, compared to net losses of \$13.4 million ((\$0.25) per basic and diluted share) and \$0.9 million ((\$0.02) per basic and diluted share) in the comparable periods of 2024.

The increase in net income for the three months ended December 31, 2025, as compared to the same period in 2024 is primarily the result of the loss on disposition recorded on the Southwest Saskatchewan disposition in Q4 2024, partially offset by lower petroleum and natural gas sales due to decreased production volumes and lower realized pricing in the period.

The increase in net loss for the year ended December 31, 2025, as compared to the same period of 2024, is primarily the result of the \$40.8 million non-cash loss on dispositions (2024 - \$22.2 million), a non-cash impairment loss of \$23.2 million (2024 - \$nil) and lower petroleum and natural gas sales due to decreased production volumes and lower realized pricing in the period.

Cash flow from operating activities for the three months and year ended December 31, 2025, decreased by 58% and 28%, respectively, as compared to the same periods of 2024. The fluctuations in cash flow from operating activities were due to the decrease in adjusted funds flow from operations (discussed below), adjusted by the changes in non-cash working capital for the periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2025, adjusted funds flow from operations decreased 72% as compared to the same period of 2024. This was primarily due to a decrease in petroleum and natural gas revenues, net of blending, offset by lower royalties, transportation expense, net operating expenses, G&A expenses and a gain on realized hedging losses.

For the year ended December 31, 2025 adjusted funds flow from operations decreased 39% as compared to the same period of 2024. This was primarily due to a decrease in petroleum and natural gas revenues, net of blending and higher transportation expenses, partially offset by lower royalties, net operating expenses, realized hedging losses, and G&A expenses.

Capital Expenditures

(\$ in thousands)	Three months ended December 31,			Year ended December 31,		
	2025	2024	% change	2025	2024	% change
Land and geological and geophysical	392	751	(48)%	1,657	3,430	(52)%
Drilling and completions	1,007	6,563	(85)%	22,950	48,839	(53)%
Equipping and facilities	232	1,674	(86)%	4,980	12,555	(60)%
Other	376	836	(55)%	2,085	2,989	(30)%
Exploration and development	2,007	9,824	(80)%	31,672	67,813	(53)%
Property dispositions	(58,091)	(11,059)	425%	(63,115)	(11,059)	471%
Capital expenditures⁽¹⁾	(56,084)	(1,235)	4441%	(31,443)	56,754	(155)%

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

Exploration and development expenditures for the three months and year ended December 31, 2025, were \$2.0 million and \$31.7 million, respectively, compared to \$9.8 million and \$67.8 million in the comparable periods of 2024. In the three months ended December 31, 2025, the Company incurred \$0.4 million on lease acquisitions and seismic, \$1.0 million on drilling and completions, \$0.2 million on equipping and facilities and \$0.4 million related to other costs. During the year ended December 31, 2025, the Company incurred \$1.7 million on lease acquisitions and seismic, \$23.0 million on drilling and completions, \$5.0 million on equipping and facilities, and \$2.1 million related to other capital costs.

Net capital expenditures for the year ended December 31, 2025 reflect the impact of asset dispositions, which generated total net consideration of \$63.1 million.

Capital expenditures incurred in Q4 2025, relate to land acquisitions, waterflood and gas handling infrastructure, workovers and lease maintenance, and preparation work for future drills.

The following table summarizes the Company's drilling results (based on rig-released wells):

	Three months ended December 31,				Year ended December 31,			
	2025		2024		2025		2024	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross	Net	Gross ⁽¹⁾	Net ⁽¹⁾	Gross	Net
Crude oil	-	-	3.0	3.0	9.0	8.9	26.0	25.6
Disposal	-	-	0.0	0.0	-	-	1.0	1.0
Total	-	-	3.0	3.0	9.0	8.9	27.0	26.6
Success rate	N/A	N/A	100%	100%	100%	100%	100%	100%

⁽¹⁾ Of the 9.0 (8.9 net) crude oil wells drilled during the year ended December 31, 2025, 1.0 (1.0 gross) was brought on production in Q2 2025 and 8.0 (7.9 gross) were brought on production in Q1 2025.

Share Capital

Common Shares

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series (of which nil preferred shares are outstanding).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the Company's issued and outstanding Common Shares for the years ended December 31, 2025 and December 31, 2024:

	December 31, 2025		December 31, 2024	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	53,237,528	\$ 224,642	53,081,147	\$ 224,292
Shares issued - warrant exercise	-	-	156,381	350
Reduction of stated capital	-	(47,914)	-	-
Balance, end of year	53,237,528	\$ 176,728	53,237,528	\$ 224,642

Reduction of Stated Capital

On November 13, 2025, Lycos declared a cash distribution of \$0.90 per common share which was paid as a Return of Capital on November 28, 2025.

Warrants

On December 12, 2022, the Company issued 5,706,250 warrants in connection with the reverse takeover transaction which were recorded in share capital. As at December 31, 2025 the Company had 5,549,869 warrants outstanding and exercisable (December 31, 2024 – 5,549,869).

The following table summarizes the Company's issued, outstanding, and exercisable warrants for the year.

	Warrants outstanding			Warrants exercisable		
	Number outstanding	Weighted average exercise price ⁽¹⁾	Weighted average life remaining (years)	Number outstanding	Weighted average exercise price ⁽¹⁾	Weighted average life remaining (years)
Balance, end of year	5,549,869	\$ 1.34	2.0	5,549,869	\$ 1.34	2.0

⁽¹⁾ In conjunction with the Return of Capital, the original warrant exercise price of \$2.24 was adjusted to reflect the \$0.90 distribution paid to each common share with immediate effect.

Normal course issuer bid ("NCIB")

On October 15, 2025, the Company announced its NCIB which will commence on November 3, 2025, permitting Lycos to repurchase up to 4,661,208 Common Shares within a twelve-month period. During the year ended December 31, 2025, the Company did not purchase any shares for cancellation.

Dilution

The Company uses the treasury stock method to determine the impact of dilutive securities. In computing the diluted net income (loss) per share for the years, the effect of 5,549,869 warrants were excluded (December 31, 2024 – 5,549,869) and 3,090,425 stock options were excluded (December 31, 2024 – 3,885,725) as their effect was anti-dilutive.

Outstanding Securities

As at April 8, 2026, the Company had the following securities outstanding:

<i>(in thousands)</i>	As at April 8, 2026
Outstanding securities:	
Common shares	108,019
Stock options ⁽¹⁾	728
Warrants	5,550

⁽¹⁾ Stock options held by certain former directors and management who resigned on March 30, 2026 will terminate within 30 days in accordance with the terms of the Company's stock option plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As at December 31, 2025, the Company's capital structure is comprised of adjusted working capital of \$9 thousand and shareholders' equity of \$91.2 million. Lycos' adjusted working capital (net debt) fluctuated from net debt of \$17.6 million at December 31, 2024 to adjusted working capital of \$9 thousand as at December 31, 2025, primarily due to the proceeds of dispositions and lower capital expenditures in the year, partially offset by lower adjusted funds flow.

On October 15, 2025, the Company completed the North Disposition, disposing of certain assets in the Lindbergh, Moose Lake and Fishing Lake areas of Alberta area, for total cash consideration of \$57.7 million, net of transaction costs and subject to final closing adjustments. The Company utilized \$9.0 million of the net proceeds towards debt repayment and distributed \$47.9 million of the net proceeds as a Return of Capital to shareholders.

Subsequent to December 31, 2025, the Company entered into and completed a strategic business combination with Mahikan along with a concurrent equity financing for gross proceeds of approximately \$30.0 million. The Transaction materially enhances the Company's scale and inventory depth through the addition of significant undeveloped land and drilling opportunities. Proceeds from the financing are expected to strengthen liquidity and support the development of the acquired inventory, while the Company will continue to utilize its credit facility as part of its capital structure to fund ongoing operations and capital programs.

The Company expects to have adequate liquidity to execute on its short-term and longer-term growth strategy through a combination of cash provided by operating activities and its \$50.0 million credit facility. Lycos maintains the flexibility to adjust its capital spending to manage working capital requirements and may issue equity to fund future acquisitions and development activities as appropriate.

Credit Facility

As at December 31, 2025, the Company had an uncommitted demand revolving credit facility with the National Bank of Canada ("the Lender") for up to \$50 million, of which \$35.0 million is immediately available for general corporate purposes and an additional \$15.0 million is available at the discretion of the Lender. A semi-annual borrowing base review is scheduled to occur on or before May 31 and November 30 of each year. In the last review, the Company's borrowing base was reconfirmed at \$50 million and the next scheduled borrowing base review is scheduled to occur on or before May 31, 2026.

As at December 31, 2025, the Company had \$2.4 million (December 31, 2024 - \$15.1 million) drawn on the facility.

Interest rates vary depending on the ratio of Net Debt to Cash Flow (as defined in the lending agreement). At December 31, 2025, the Company had an interest rate of prime plus 1.25% per annum on the credit facility.

The credit facility is secured by a demand debenture in the amount of \$100.0 million. Repayments of principal are not required until the Lender demands, provided that the borrowings do not exceed the authorized credit facility, and the Company is compliant with all covenants. As at December 31, 2025, the Company was compliant with all covenants.

Contractual Obligations and Commitments

Commitments exist under various agreements and operations in the normal course of the Company's business, none of which are expected to have a significant impact on the Company's financial statements or operations.

The Company has two well commitments to be drilled by September 30, 2026 and July 13, 2027, which are planned in the Company's drilling program. In the event the Company fails to fulfill the drilling commitments, the Company is required to pay \$0.1 million and \$0.3 million respectfully, for each well not spud by the commitment dates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Results

The following table summarizes the Company's key quarterly financial and operating results for the past eight quarters.

(\$ in thousands, except share data)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Total petroleum and natural gas sales, net of blending ⁽¹⁾	10,250	19,379	23,146	26,842	30,196	33,986	35,649	23,892
Cash flow from operating activities	5,358	10,370	8,396	12,656	12,898	19,764	14,024	4,105
Adjusted funds flow from operations ⁽¹⁾	4,101	9,558	9,628	12,512	14,421	17,005	18,027	9,591
Net income (loss)	169	2,465	(54,612)	2,373	(13,442)	3,706	10,245	(1,414)
Per share - basic	\$ -	\$ 0.05	\$ (1.03)	\$ 0.04	\$ (0.25)	\$ 0.07	\$ 0.19	\$ (0.03)
Per share - diluted	\$ -	\$ 0.05	\$ (1.03)	\$ 0.04	\$ (0.25)	\$ 0.07	\$ 0.19	\$ (0.03)
Adjusted working capital (net debt) ⁽¹⁾	9	(11,664)	(19,277)	(25,285)	(17,661)	(31,503)	(30,379)	(26,971)
Capital expenditures ⁽¹⁾	(56,084)	1,413	285	22,922	(1,235)	17,281	21,258	19,450
Weighted average shares outstanding (thousands)								
Basic	53,238	53,238	53,238	53,238	53,238	53,215	53,104	53,081
Diluted	53,238	53,238	53,238	53,532	53,238	54,818	55,118	53,081
Shares outstanding, end of period (thousands)								
Basic	53,238	53,238	53,238	53,238	53,238	53,238	53,126	53,081
Diluted	53,238	53,238	53,238	53,532	53,238	54,841	55,139	53,081
Operational								
Average daily production								
Crude oil (bbls/d)	1,663	2,915	3,795	3,940	4,421	4,728	4,614	3,804
Natural gas (mcf/d)	394	260	869	793	893	651	209	218
Total (boe/d)	1,729	2,958	3,940	4,072	4,570	4,836	4,648	3,840

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

Lycos was positioned for steady growth in 2024 given the strategic acquisitions completed in 2023. In 2024 Lycos incurred \$67.8 million of exploration and development expenditures (\$56.7 net of dispositions), which included drilling and completing 25.6 net producing wells and 1.0 net disposal well. Lycos grew average daily production to 4,570 boe/d in Q4 2024 from 3,840 boe/d in Q1 2024.

In Q1 2025, the Company executed an exploration and development program focused on advancing its land base, incurring \$22.9 million of capital expenditures to drill 7.9 net producing wells and spud 1.0 net well, which was rig released and brought on stream in Q2 2025. In Q2 2025, the Company completed drilling and brought on stream 1.0 net Moose Lake well. On May 29, 2025, the Company announced the termination of its previously announced strategic review process and the temporary suspension of its capital expenditures program in response to low and volatile commodity prices and global economic uncertainty. During Q2 2025, the Company completed the Lloydminster and Frog Lake dispositions. In Q4 2025, the Company closed the Elnora Disposition and North Disposition, generating significant cash proceeds that were applied to reduce Net Debt and fund the previously announced Return of Capital.

Subsequent Events

Mahikan Acquisition

On March 30, 2026, the Company closed the previously announced business combination with Mahikan. Pursuant to the transaction, Lycos acquired all of the issued and outstanding common shares of Mahikan in exchange for 29,781,301 common shares of Lycos, representing an exchange ratio of 0.60 Lycos common shares for each Mahikan share held, and the assumption of Mahikan's outstanding indebtedness.

Concurrent with closing, the Company completed a non-brokered private placement of 25,000,000 common shares at a price of \$1.20 per share for gross proceeds of \$30.0 million. Certain directors, officers and employees of the combined entity subscribed for approximately \$5.0 million of the offering.

Changes in Accounting Policies

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18"), which will replace IAS 1. The Standard requires new subtotals and categories in the Statements of Income (Loss) and Comprehensive Income (Loss) to better align with key business activities, disclosure of management performance measures, and greater disaggregation of information. The Standard is required to be adopted retrospectively and is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On May 30, 2024, the IASB amended both IFRS 9 Financial Instruments and IFRS 7 Financial Instruments to clarify the classification and measurement of financial instruments. The amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted.

The Company is assessing the impact of adopting IFRS 18 and the impact of the amendments to IFRS 9 and IFRS 7 on the Company's financial statements.

Off-Balance Sheet Arrangements

All off-balance sheet arrangements are in the normal course of business. Refer to the commitments in the section titled "Contractual Obligations and Commitments".

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

This document contains the terms "net operating expenses", "operating netback", "total crude oil, petroleum and natural gas revenue, and total petroleum and natural gas sales, net of blending" and "royalty rate" which are non-IFRS financial measures, or ratios if calculated on a per boe or percentage basis. The Company uses these measures to help evaluate Lycos' performance. These non-IFRS financial measures and ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This document also contains the capital management measures, or ratios, of "adjusted funds flow from operations", "adjusted working capital (net debt)" and "total capital expenditures". Management believes that the presentation of these non-IFRS, capital management and other financial measures provides useful information to shareholders and investors in understanding and evaluating the Company's ongoing operating performance.

Adjusted Funds Flow from Operations

Funds flow is calculated by taking cash flow from operating activities and adding back changes in non-cash working capital. Adjusted funds flow from operations is further calculated by adding back decommissioning expenditures 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 expenditures 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.

The Company reconciles adjusted funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS as follows:

(\$ in thousands)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Cash flow from operating activities	5,358	12,898	36,780	50,791
Change in non-cash working capital	(1,741)	1,476	(3,349)	6,680
Funds flow from operations	3,617	14,374	33,431	57,471
Decommissioning expenditures	313	80	1,109	1,358
Transaction costs	171	(33)	1,259	215
Adjusted funds flow from operations	4,101	14,421	35,799	59,044
Per boe (\$)	25.79	34.30	30.96	36.05

Adjusted Working Capital (Net Debt)

Management considers adjusted working capital (net debt) to be a key measure to assess the Company's liquidity and capital management. The Company calculates adjusted working capital (net debt) as the total of the Company's current assets, less current liabilities, excluding derivative financial instruments, decommissioning obligations, and lease liabilities.

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(\$ in thousands)	December 31, 2025	December 31, 2024
Working capital	(1,216)	(19,207)
Current portion of decommissioning liabilities	900	1,400
Current portion of lease obligations	325	235
Financial derivative (asset) liability	-	(89)
Adjusted working capital (net debt)	9	(17,661)

Crude Oil, Net of Blending and Total Petroleum and Natural Gas Revenues, Net of Blending

Management uses crude oil, net of blending expense and the associated tariffs and total petroleum and natural gas revenues, net of blending expense and the associated tariffs to compare realized pricing to WCS benchmark pricing. This is calculated by deducting the Company's blending expense and the associated tariffs from crude oil sales and total petroleum and natural gas revenues. Blending expense and the associated tariffs is recorded within blending expense in the Annual Financial Statements.

(\$ in thousands)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Crude oil	10,214	37,162	82,651	153,191
Less: blending expense	-	7,100	3,285	29,780
Crude oil, net of blending	10,214	30,062	79,366	123,411
Natural gas	36	75	238	147
Total petroleum and natural gas revenues, net of blending	10,250	30,137	79,604	123,558

Total Petroleum and Natural Gas Sales, Net of Blending

Management uses total petroleum and natural gas sales, net of blending expense and the associated pipeline tariffs to compare realized pricing to benchmark pricing. This is calculated by deducting the Company's blending and transportation expense and the associated pipeline tariffs from petroleum and natural gas sales. Blending expense and the associated pipeline tariffs is recorded within blending expense in the Annual Financial Statements.

Royalty Rate

The Company's royalty rate is calculated as total royalties as a percentage of total petroleum and natural gas revenues, net of blending.

Net Operating Expenses

Management uses net operating expenses to analyse operating performance. Net operating expenses are determined by deducting processing income (see the section titled "Net Operating Expenses" above) primarily generated by third party volumes at processing facilities where the Company has an ownership interest. However, 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. As such, third party processing revenue is netted against operating costs in the MD&A.

Operating netback

Operating netback is total petroleum and natural gas revenues, net of blending, less royalties, less net operating expenses 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. Operating netback, including financial derivatives is defined as operating netback plus realized gains or losses on financial derivatives.

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Capital Expenditures

Management uses the term “capital expenditures” as a measure of capital investment in exploration and production activity, as well as property acquisitions and dispositions, as such spending is compared to the Company’s annual budgeted capital expenditures. The most directly comparable IFRS measure for total capital expenditures is cash flow used in investing activities. Capital expenditures represents capital expenditures – exploration and evaluation, capital expenditures – property, plant and equipment, and proceeds from dispositions in the Annual Financial Statements.

A summary of the reconciliation of cash flow used in investing activities to capital expenditures is set forth below:

(\$ in thousands)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Net cash used in investing activities	(56,717)	12,891	(24,152)	69,803
Change in non-cash working capital	654	(14,126)	(7,291)	(13,049)
Capital expenditures	(56,063)	(1,235)	(31,443)	56,754

Advisories

Unless otherwise indicated, all production information presented herein is presented on a gross basis, which is the Company’s working interest prior to deduction of royalties and without including any royalty interests. Readers are cautioned that the MD&A should be read in conjunction with disclosures in the sections titled “Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures”.

Certain figures included in this MD&A have been rounded for ease of presentation. Percentage figures included in this MD&A have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this MD&A may vary slightly from those obtained by performing the same calculations using the figures in Lycos’ Annual Financial Statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

BOE Presentation

The Company uses the following industry terms in the MD&A: “bbl” refers to barrels, “bbl/d” refers to barrels per day, “mbbl” refers to thousand barrels, “mcf” refers to thousand cubic feet, “mcf/d” refers to thousand cubic feet per day, “mmcf” refers to million cubic feet, “MMbtu” refers to one million British thermal units, “boe” refers to barrel of oil equivalent, “boe/d” refers to barrels of oil equivalent per day, and “mboe” refers to thousand barrels of oil equivalent. Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used in the calculation of the boe amounts in the MD&A. The boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Product Type Information

The Company has disclosed natural gas liquids (“NGLs”) product type with crude oil due to the insignificant magnitude of NGLs. Throughout this MD&A, “crude oil” therefore refers to heavy crude oil and NGLs combined, as such terms are defined by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. Natural gas refers to conventional natural gas.

Supplementary Financial Measures

Per boe disclosures for petroleum and natural gas revenues, royalties, net operating expenses, transportation expenses, G&A expenses, financing expenses, and depletion, depreciation and amortization, impairment (reversal) are supplementary financial measures that are calculated by dividing each of these respective IFRS measures by the Company’s total production volumes for the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Average realized prices for crude oil and natural gas are supplementary financial measures calculated by dividing each of these components of petroleum and natural gas revenues by their respective production volumes for the period.

Royalties as a percentage of petroleum and natural gas revenues is a supplementary financial measure calculated by dividing royalties by petroleum and natural gas revenues.

Critical Accounting Estimates

The Annual Financial Statements and this MD&A have been prepared using the same critical accounting estimates as the Annual Financial Statements, which are available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca.

Forward Looking Information and Statements

This MD&A may include forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information are included for the purpose of providing information about Management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "can", "continue", "develop", "evaluate", "expect", "plan", "intend", "estimate", "maintains", "manage", "potential", "propose", "project", "target", "use", "budget", "forecast", "should", "will", "may" and similar expressions (or grammatical variations or negatives thereof) suggesting future outcomes or statements regarding an outlook. Forward-looking statements or forward-looking information in this MD&A include, but are not limited to, statements or information with respect to: (i) Lycos' business strategy and objectives, including renewed focus on optimizing and advancing development plans across its retained core properties; (ii) performance characteristics of Lycos' oil and natural gas properties, including anticipated production, capital expenditures, drilling plans, adjusted funds flow and adjusted working capital (net debt); (iii) Lycos' expectation and plans regarding drilling and the completions of wells (including certain drilling commitments and the timing thereof); (iv) Lycos' expectations of royalty expenses as a percentage of revenue; (v) Lycos' crude oil pricing assumptions and Canadian to US dollar exchange rates; (vi) capital resources and liquidity, including the Company's expectations regarding sources of funding for future development capital expenditures (including the availability of the Company's credit facility); (vii) the Company's expectations in respect of G&A expenses; (viii) the Company's expectations in respect of commodity prices and WCS differentials; (ix) the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices and the effects thereof; (x) ability of the Company to achieve drilling success consistent with Management's expectations; and (xi) the timing and expected production of recently spud / drilled wells. In addition, the statements contained herein relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves or resources described can be profitably produced in the future. The recovery and reserves estimates provided herein are internal estimates only and there is no guarantee that the estimated reserves will be recovered. Therefore, actual results may differ materially from those anticipated in the forward-looking statements. Lycos disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Assumptions

Forward-looking statements or information are based on a number of factors and assumptions which have been used in developing such statements and information, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding, among other things: expectations and assumptions concerning the business plan of the Company; the accuracy of geological and geophysical data and interpretation of that data; estimated decline rates; the ability of the Company to continue to meet its obligations under its credit facility; the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability of the Company to operate in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the successful integration of the recently acquired assets into Lycos' operations; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing of and costs of

MANAGEMENT'S DISCUSSION AND ANALYSIS

pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate transportation for products; future oil and natural gas prices; foreign currency exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the impact of inflation on costs and interest rates; the ability of the Company to successfully market its oil and natural gas products; the availability of capital (including that Lycos is well capitalized to execute on its capital expenditure program and strategy) and skilled personnel; drilling results; and prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.

Risks and uncertainties

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. These risks and uncertainties which may cause actual results to differ materially from the forward-looking statements or information include, among other things: the ability of Management to execute its business plan; general economic and business conditions; the risk of instability affecting the jurisdictions in which the Company operates; risks associated with the oil and natural gas industry in general (e.g. operational risks in exploring for, developing and producing crude oil and natural gas; market demand and volatility; changes to market valuations; changes to supply and demand for oil and natural gas; uncertainty of reserves estimates; uncertainty of estimates and projections relating to production, costs and expenses, including increased operating and capital costs due to inflationary pressures); changes in industry regulations and legislation (including, but not limited to, tax laws, royalties, and environmental regulations); the imposition or expansion of tariffs imposed by domestic and foreign governments or the imposition of other restrictive trade measures, retaliatory or countermeasures implemented by such governments, including the introduction of regulatory barriers to trade and the potential material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the demand and/or market price for the Company's products and/or otherwise adversely affects the Company; the possibility that government policies or laws may change; the possibility that governmental approvals may be delayed or withheld; changes in the political landscape both domestically and abroad; wars (including ongoing military actions in the Middle East and Russia's invasion of Ukraine); competition; the lack of availability of qualified personnel or management; the lack of availability of or access to services; the results of exploration and development drilling related activities; risks and uncertainties involving geology of oil and natural gas deposits; the ability of the Company to add production and reserves through acquisition, development and exploration activities; the Company's ability to enter into or renew leases; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the ability to access sufficient capital from internal and external sources; fluctuations and uncertainty with respect to foreign currency exchange rates, interest rates and commodity prices (including pursuant to determinations by the Organization of Petroleum Exporting Countries and other countries (collectively referred to as OPEC+) regarding production levels) and the risk of an extended period of low oil and natural gas prices; stock market and financial system volatility; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of royalty payments; health, safety and environmental risks; risks with respect to unplanned third-party pipeline outages; adverse weather or break-up conditions, including severe weather events and natural disasters such as fires, droughts, flooding and extreme hot or cold temperatures; the Company's ability to secure sufficient amounts of water; risks associated with existing and potential future law suits and regulatory actions against the Company; uncertainties as to the availability and cost of financing; financial risks affecting the value of the Company's investments; actions of OPEC and OPEC+ members; and the impact of oil differentials on the Company's financial position. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

These known and unknown risks and uncertainties may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements. Accordingly, there is no assurance that the expectations conveyed by the forward-looking statements will prove to be correct. All subsequent forward-looking statements, whether written by or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

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The Company's operations have been, and in the future may be, affected by political developments and by national, federal, provincial, state and local laws and regulations such as restrictions on production, the imposition of tariffs, embargoes or export restrictions on the Company's products (including the tariffs on a variety of goods recently announced by the US government and Canadian countermeasures subsequently announced, both of which are anticipated to continue to evolve).

To date in 2026, geopolitical tensions in the Middle East escalated following military conflict involving Iran and regional allies. The situation has raised concerns regarding potential disruptions to global crude oil supply and shipping routes through the Strait of Hormuz, which handles a significant portion of global oil trade. In response, oil markets have experienced increased volatility and recently pushed the prompt WTI crude oil price over US\$80 per barrel. The duration of the war and its impacts on commodity prices, markets and other factors is uncertain. Lycos is closely monitoring this developing situation.

Additional risks and information on risk factors are included in the Company's Annual Information Form for the year ended December 31, 2025, which is available on the Company's website at www.lycosenergy.com and under the Company's profile on SEDAR+ at www.sedarplus.ca.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate Information

Board of Directors

TOM COOLEN
Chair of the Board of Directors
Calgary, Alberta

BRUCE BEYNON
Director
VP Light Oil, Athabasca Oil Corp.
Calgary, Alberta

STEVE BUYTELS
Director
President, Tamarack Valley Energy
Calgary, Alberta

BRUCE HALL
Director
Calgary, Alberta

BRENDAN PATON
Director
President & COO, Logan Energy
Calgary, Alberta

DAVE BURTON
Director
Calgary, Alberta

Officers

DAVE BURTON, P.Eng., M.Eng.
President & CEO

LINDSAY GOOS, CPA-CA
Vice President Finance & CFO

KYLE BOON, P.Tech (Eng.)
Vice President, Production & Corporate
Development

MIKE BUCHOLTZ, P. Eng.
Vice President, Engineering & Business
Development

TAYLOR LAW, P.Geo.
Vice President, Exploration

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Calgary, Alberta

Independent Reservoir Consultants

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Calgary, Alberta