

LYCOS ENERGY INC. ANNOUNCES OPERATIONAL UPDATE AND NEW CREDIT FACILITY

Calgary, Alberta – January 16, 2023 – Lycos Energy Inc. ("**Lycos**" or the "**Company**") (TSXV: LCX) is pleased to provide an operational update and announce a new \$20.0 million senior-secured credit facility with the National Bank of Canada (the "**Lender**").

Operational Update

Lycos is extremely optimistic about the results of its first multi-leg "fishbone" well drilled at 08-33-043-22W3. This 100% working interest well has been on production since late November 2022. The well achieved an average 30-day production ("IP30") rate of 149 boe/d and is currently producing 150 boe/d (100% oil). At recent strip pricing of USD 50\$/bbl WCS, the well is expected to achieve payout in less than 10 months.

A second 8 leg multi-lateral well was drilled at 08-31-043-22W3 from the same drilling pad. This well achieved an IP30 of 97 boe/d and is currently producing 89 boe/d (100% oil). At recent strip pricing of USD\$50/bbl WCS, the well is expected to achieve payout in less than 15 months. The significantly better result on the fishbone is consistent with pre-drill estimates regarding production enhancement from the fishbone geometry well.

Based on the results of these two wells, Lycos has confirmed that the increased reservoir contact provided by the "fishbone" design appears to provide superior capital efficiency with an approximate 60% increase in productivity with a 10%-15% increase in capital expenditures, compared to single and multi-leg wells drilled in the vicinity.

As a follow up to these successful results, Lycos is embarking on a drilling campaign in Q1 2023 which will consist of fishbone drills and additional water disposal wells.

Credit Facility

Lycos entered into a credit agreement in respect of a new revolving credit facility for up to \$20.0 million. The credit facility is undrawn, uncommitted and payable on demand. The credit facility provides added financial flexibility to support the Company's growth.

Outlook

The Company's current production is approximately 1,250 boe/d (98.5% oil) in Saskatchewan. Additionally, Lycos owns a 21.85% equity interest in Chronos Duvernay Limited Partnership, which is currently producing 1,225 boe/d (gross, 100% oil) in Alberta.

Lycos has demonstrated that its ability to apply multi-lateral well design to make previously uneconomic drilling locations economic. The new well shows very compelling returns and short payouts at current WCS pricing, and Lycos intends to use its strong cash position and balance sheet to organically develop and opportunistically acquire substantial inventory of new multi-lateral development prospects to drive increased shareholder returns.

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 Gull Lake area of southwest Saskatchewan and heavy-oil assets in the Lloydminster area.

Additional Information

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Reader Advisory

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: the business plan and strategy of Lycos; Lycos's anticipated operational results including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans; Lycos's plans to deliver strong operational performance and to generate growth and increased shareholder returns; management's expectations regarding encouraging drilling results and ability to replicate past performance; and pursuing immediate production optimization and future growth with organic drilling and opportunistic acquisitions.

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 performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Lycos's properties, the successful integration of the recently acquired assets into Lycos's operations, the successful application of drilling, completion and seismic technology, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, prevailing commodity prices, price volatility, price differentials and the actual prices received for the Company's products, impact of inflation on costs, royalty regimes and exchange rates, the application of regulatory and licensing requirements, the availability of capital, including under the new credit facility, labour and services, the creditworthiness of industry partners and the ability to source and complete acquisitions.

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, fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, wars (including Russia's military actions in Ukraine), hostilities, civil insurrections, foreign exchange or interest rates, increased operating and capital costs due to inflationary pressures (actual and anticipated), stock market volatility, impacts of the current COVID-19 pandemic and the retention of key management and employees. 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. 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's prospective results of operations and production, organic growth and acquisitions, operating costs, capital expenditures, payout of wells, Lycos's corporate outlook 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's proposed business activities in 2023. Lycos and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results. Lycos disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Lycos's guidance. The Company's actual results may differ materially from these estimates.

BOE and Oil Disclosure

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.

Throughout this press release, "crude oil" or "oil" refers to light, medium and heavy crude oil product types as defined by National Instrument 51-101 – Standards of Disclosure of Oil and Gas Activities.

References in this press release to peak 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.

In this press release, the Company has provided certain information on the prospectivity and the production rate of wells on properties adjacent to the Company's acreage which is "analogous information" as defined by applicable securities laws. This analogous information is derived from publicly available information sources which the Company believes are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with the most recent publication of the Canadian Oil and Gas Evaluation Handbook. Regardless, estimates by engineering and geotechnical practitioners may vary and the differences may be significant. The Company believes that the provision of this analogous information is relevant to the Company's activities and forecasting, given its property ownership in the area; however, readers are cautioned that there is no certainty that the forecasts provided herein based on analogous information will be accurate.

Abbreviations

bbl	barrels of oil
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day

WCS Western Canada Select

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

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.