

## **LYCOS ENERGY INC. ANNOUNCES COMPLETION OF STRATEGIC ALBERTA HEAVY OIL ACQUISITION**

**Calgary, Alberta** – March 1, 2023 – Lycos Energy Inc. ("**Lycos**" or the "**Company**") (TSXV: LCX) is pleased to announce the addition of 1,500 boe/d (100% oil) production and 1,808 Mboe of producing reserves<sup>(1)</sup> in the Lloydminster area (the "Assets"). Lycos' total current production is now over 2,700 boe/d (99% oil).

### **Acquisition Overview**

Lycos completed the Acquisition<sup>(2)</sup> on February 28, 2023 for a purchase price consisting of \$50.0 million in cash and the grant of a 3% gross overriding royalty to the former ownership group (the "GORR") on any newly drilled wells on the acquired lands.

The Assets substantially increase Lycos' inventory of high rate, high return multi-lateral drilling locations, adding over 40 net locations<sup>(3)</sup> within the Mannville Group. Lycos has operated the Assets since the fall of 2021 and has drilled a total of 8 multi-laterals on the Assets. These wells have achieved an average IP90 of 197 boe/d.

### **Asset Highlights**

- \$50.0 million cash purchase price plus a 3% GORR
- Operating netback<sup>(4)</sup> of over \$49/bbl at \$75.00 WCS/bbl
- Producing oil reserves of 1,808 Mboe<sup>(1)</sup> driving a producing recycle ratio<sup>(4)</sup> of 1.77
- 1,500 boe/d addition to the Company's current production
- Increase of more than 40 multi-lateral drills to current inventory
- Decrease in corporate pro forma operating expenses of more than 30%, driving a pro forma Lycos current operating netback<sup>(4)</sup> of \$38.65/bbl at \$75.00 WCS/bbl
- Adds 56.2 net sections of land (45.8 undeveloped)
- All acquired volumes will be processed and sold through existing Lycos facilities

### **Outlook**

The Company is currently in the process of reallocating capital and expanding its drilling budget based upon the new portfolio of 100% working interest opportunities resulting from the Acquisition. Guidance will be released in early April 2023.

With this expanded inventory, Lycos expects to more than double current production by the end of 2024.

### **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.

### **Advisors**

National Bank Financial Inc. acted as financial advisor and Peters & Co. Limited and BMO Capital Markets acted as strategic advisors to Lycos with respect to the Acquisition. Stikeman Elliott LLP acted as legal advisor to Lycos with respect to the Acquisition.

## Additional Information

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## Reader Advisory

### Notes to Press Release

1. "Producing reserves" includes the following reserve categories: "proved developed producing" and "probable developed producing" and were internally estimated by the Company's internal qualified reserve evaluator ("QRE") and prepared in accordance with National Instrument 51-101 – *Standards of Disclosure of Oil and Gas Activities* ("NI 51-101") and the most recent publication of the Canadian Oil and Gas Evaluations Handbook ("COGEH"). "Internally estimated" means an estimate that is derived by the Company's internal QRE and prepared in accordance with NI 51-101. All internal estimates contained in this press release have been prepared effective as of February 1, 2023. Reserves values are based on working interest reserves of the Assets before deduction of royalties and without including any of royalty interest reserves.
2. The "Acquisition" refers to the purchase of the remaining unowned 78.15% equity interest in a partnership that owned the Assets. With the Acquisition, Lycos now owns 100% of the partnership and, as such, 100% of the assets held by the partnership.
3. See "*Drilling Locations*" for additional details.
4. "Operating netback" and "recycle ratio" are non-IFRS financial measures. See "*Specified Financial Measures*".

### 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' anticipated operational results including, but not limited to, estimated or anticipated production levels, capital expenditures and drilling plans, including anticipated reallocation of capital and expanded drilling budget; Lycos' 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; pursuing immediate production optimization and future growth with organic drilling and opportunistic acquisitions; the anticipated benefits of the Acquisition, including the impact of the Acquisition and the GORR on the Company's operations, reserves, inventory and opportunities, financial condition, access to capital and overall strategy; expectations with respect to reserves, production, operating netbacks and operating expenses relating to the Assets and Lycos following the Acquisition, including the expectation of more than doubling current production by the end of 2024; development and drilling plans for the Assets, including the drilling locations associated therewith and timing of

results therefrom; expectations regarding the oil bearing zones within the Mannville group; and the timing of guidance. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking statements and information are based on certain key expectations and assumptions made by Lycos, including expectations and assumptions concerning the business plan of Lycos, the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Lycos' properties, including the Assets, the successful integration of the Assets into Lycos' 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, incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition); fluctuations in commodity prices, changes in industry regulations and political landscape both domestically and abroad, wars (including Russia's military actions in Ukraine), hostilities, civil insurrections, foreign exchange or interest rates, increased operating and capital costs due to inflationary pressures (actual and anticipated), 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' prospective results of operations and production, organic growth and acquisitions, operating costs, capital expenditures, cash flow Lycos' corporate outlook and components thereof, including in respect of the Assets, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about Lycos' proposed business activities in 2023. Lycos and its management believe that FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future activities or results. Lycos disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein. Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Lycos' guidance. The Company's actual results may differ materially from these estimates.

## **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 NI 51-101.

References in this press release to peak rates, IP90 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.

All reserves information in this press release relating to Assets are internally estimated by the Company's QRE effective February 1, 2023 in accordance with NI 51-101 and the COGEH. The estimates of reserves and future net revenue for the Acquisition may not reflect the same confidence level as estimates of reserves and future net revenue for all of Lycos' properties, due to the effects of aggregation.

All reserve references in this press release are "gross reserves". Gross reserves are a company's total working interest reserves before the deduction of any royalties payable by such company and before the consideration of such company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Lycos' crude oil, NGL and natural gas reserves, including those of the Assets, provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein.

All of the drilling locations disclosed with respect to the Assets are unbooked locations and do not have attributed reserves or resources. Unbooked locations are internal estimates based on the Company's assumptions as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations have been identified by management as an estimation of Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations considered for future development will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by the drilling of existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

## Specified Financial 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.

"Operating netback" (non-IFRS financial measure or ratio) is calculated as total petroleum and natural gas sales, including any realized gains and losses on commodity and foreign exchange derivative contracts, less royalties, production expenses and transportation expense. This metrics can also be calculated on a per boe basis (non-IFRS financial ratio). Management considers operating netback an important measure to evaluate the Company's operational performance, as it demonstrates field level profitability relative to current commodity prices.

"Recycle ratio" is measured by dividing the operating netback for the applicable period by finding and development cost per boe for the year. The recycle ratio compares netback from existing reserves to the cost of finding new reserves and may not accurately indicate the investment success unless the replacement reserves are of equivalent quality as the produced reserves.

## Abbreviations

bbbl	barrels of oil
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
IP90	average production for the first 90 days that a well is onstream
MMbbbl	million barrels of oil
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.*