MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (the "MD&A") as provided by the management of Lycos Energy Inc. ("Lycos" or the "Company") is dated November 22, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 (the "Interim Financial Statements") and the audited consolidated financial statements for the year ended December 31, 2022 and the notes thereto (the "Annual Financial Statements", and together with the Interim Financial Statements, the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting 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 Lycos' Annual Information Form for the year ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca and the Company's website at www.lycosenergy.com. The MD&A should also be read in conjunction with Lycos' disclosure under "Forward-Looking Information and Statements" below.

Unless otherwise indicated, all production information presented herein have been 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 entitled "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' unaudited condensed interim consolidated financial statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

Description of the Business

Lycos is a Calgary based Canadian resource company engaged in the exploration for and development of petroleum and natural gas production in western Canada. Lycos currently has operations and heavy oil assets in the Lloydminster and Greater Lloydminster area of Alberta and Saskatchewan and the Gull Lake area of southwest Saskatchewan.

On December 12, 2022, Lycos (formerly Samoth Oilfield Inc. or "Samoth") and Chronos Resources Ltd. (formerly "Chronos") completed an amalgamation (the "Transaction") pursuant to a definitive agreement dated November 7, 2022, between Samoth and Chronos. The amalgamation was treated as a reverse takeover transaction ("RTO") for accounting purposes. In accordance with IFRS 3, Samoth did not meet the definition of a business for accounting purposes. Therefore, the RTO does not constitute a business combination, but instead a share-based payment to acquire Samoth's listing status, with Chronos being the continuing entity from an accounting perspective.

On February 28, 2023, Lycos purchased its former partner's equity interest in the Company's limited partnership ("the CDLP Acquisition"), Chronos Duvernay LP ("the Partnership"). The purchase price consisted of $50.0 million cash and the grant of a 2.345% gross overriding royalty ("GORR") to the former partner on any newly drilled wells on the acquired lands. The strategic CDLP Acquisition provides the Company with 100% percent working interest in certain lands and heavy oil producing wells in the Lloydminster area of Alberta.

On May 1, 2023, Lycos amalgamated with the Company's limited partnership by way of a vertical amalgamation with Chronos Duvernay GP Ltd., Chronos Duvernay Ltd., Chronos Duvernay MIS Ltd. and Chronos Duvernay Sub Co. Ltd.

On June 14, 2023, the shareholders of Lycos approved a consolidation of common shares (the "Consolidation") on the basis of a ratio eight (8) pre-consolidation common shares for each one (1) post-consolidation common share. The Consolidation was effected on September 1, 2023. All references to common shares, warrants and options in this MD&A have been adjusted retrospectively to reflect the 8:1 Consolidation and are presented on a post-consolidation basis.

On September 1, 2023, Lycos completed the acquisition (the "Wyatt Acquisition") of Wyatt Resources Ltd. ("Wyatt"), a privately held, heavy oil producer in the Greater Lloydminster area of Alberta. The purchase price consisted of $6.3 million in cash, net of closing adjustments and subject to change, and the issuance of 635,640 common shares valued at $2.5 million (based on the closing price of Lycos' common shares of $3.99 per common share on the TSX Venture Exchange on September 1, 2023). Following the completion of the Wyatt Acquisition and the Consolidation, Lycos had 40,404,140 common shares issued and outstanding as at September 30, 2023.

Recent Transactions

On October 11th, 2023, Lycos completed the acquisition of Mannville lands in the Greater Lloydminster area of Alberta. Total consideration for the assets was approximately $3.5 million in cash, before closing adjustments.

On October 16, 2023, Lycos closed the acquisition (the "DCEL Acquisition") of Durham Creek Exploration Ltd. ("DCEL"), a privately held, heavy oil producer in the Greater Lloydminster area of Alberta. Lycos acquired all the issued and outstanding common shares of DCEL for consideration of $12.5 million in cash and 2,816,907 common shares of Lycos.

Concurrent with the DCEL Acquisition, Lycos completed a bought-deal financing including the exercise of the over-allotment option by the underwriters (the "Offering") of 9,860,100 common shares at a price of $3.55 per common share for gross proceeds of approximately $35.0 million. A portion of the net proceeds from the Offering were used to fund the cash purchase price of the DCEL Acquisition. Following the completion of the DCEL Acquisition and the Offering, Lycos had 53,081,147 common shares issued and outstanding.

Q3 2023 Highlights

Highlights for the three months ended September 30, 2023 include:

- Generated average third quarter production of 3,043 boe/d (99% crude oil) and exit production of over 4,000 boe/d (99% crude oil) for the month of September. This represents a 181% increase from the third quarter of 2022 of 1,083 boe/d (99% crude oil) and a 5% increase from the second quarter of 2023 of 2,908 boe/d (99% crude oil).
- Adjusted funds flow from operations(1) was $10.8 million representing a 679% increase from $1.4 million in the third quarter of 2022 and a 54% increase from $7.0 million in the second quarter of 2023.
- Operating netback, including financial derivatives(1) was $43.15 per boe representing a 93% increase from $22.37 per boe in the third quarter of 2022 and a 39% increase from $31.02 per boe in the second quarter of 2023.
- Executed a $20.9 million capital expenditure program bringing onstream three multi-leg fishbone wells (including two extended reach sweeper fishbone wells at 17 kilometers and 20 kilometers of drilled reservoir respectively) and three multi-lateral wells (including two new generation wine rack wells) in the quarter. These wells came onstream at the end of September 2023. Lycos commenced drilling one additional multi-lateral wine rack well that will be brought onstream in the fourth quarter of 2023. The Company invested $3.0 million on its redesigned drilling fluid system, implemented to enhance well performance, where drilling fluids will be recycled and utilized for the fourth quarter 2023 and future drilling programs.

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

Third Quarter Operational and Financial Highlights

	Three months ended September 30,			Nine months ended September 30,		
($ in thousands, except per share)	**2023**	2022	% change	**2023**	2022	% change
Total petroleum and natural gas sales, net of blending(1)	**24,087**	9,621	150%	**51,849**	26,464	96%
Cash flow from operating activities	**7,534**	3,164	138%	**11,908**	4,482	166%
Per share - basic	**$ 0.19**	$ 0.32	(41)%	**$ 0.30**	$ 0.46	(34)%
Per share - diluted	**$ 0.18**	$ 0.32	(44)%	**$ 0.28**	$ 0.46	(39)%
Adjusted funds flow from operations(1)	**10,826**	1,389	679%	**20,452**	6,157	232%
Net income	**1,699**	15,646	(89)%	**23,547**	18,619	26%
Per share - basic	**$ 0.04**	$ 1.59	(97)%	**$ 0.59**	$ 1.90	(69)%
Per share - diluted	**$ 0.04**	$ 1.59	(97)%	**$ 0.56**	$ 1.90	(71)%
Capital expenditures - exploration & development	**20,880**	3,022	591%	**44,476**	4,602	866%
Capital expenditures - net acquisitions & dispositions	**6,110**	(98)	6335%	**54,886**	(316)	17469%
Adjusted working capital (net debt)(1)	**(29,015)**	636	(4662)%	**(29,015)**	636	(4662)%
Weighted average shares outstanding (thousands)						
Basic	**39,976**	9,812	307%	**39,838**	9,812	306%
Diluted	**42,143**	9,812	330%	**42,127**	9,812	329%
Average daily production:						
Crude oil (bbls/d)	**3,017**	1,075	181%	**2,612**	955	174%
Natural gas (mcf/d)	**155**	49	216%	**131**	54	143%
Total (boe/d)	**3,043**	1,083	181%	**2,634**	964	173%
Realized prices:						
Crude oil ($/bbl)(2)	**86.22**	92.97	(7)%	**71.48**	97.11	(26)%
Natural gas ($/mcf)	**2.04**	3.96	(48)%	**2.30**	5.37	(57)%
Total ($/boe)	**85.59**	92.43	(7)%	**71.00**	96.50	(26)%
Operating netback ($/boe)						
Petroleum and natural gas revenues(2)	**85.59**	92.43	(7)%	**71.00**	96.50	(26)%
Realized loss on financial derivatives	**(2.12)**	-	100%	**(0.70)**	-	100%
Royalties	**(12.18)**	(15.84)	(23)%	**(10.41)**	(15.48)	(33)%
Net operating expenses(1)	**(26.98)**	(53.60)	(50)%	**(26.69)**	(50.63)	(47)%
Transportation expenses	**(1.16)**	(0.62)	87%	**(0.88)**	(0.73)	21%
Operating netback, including financial derivatives ($/boe)(1)	**43.15**	22.37	93%	**32.32**	29.66	9%
Adjusted funds flow from operations ($/boe)(1)	**38.67**	13.94	177%	**28.44**	23.40	22%

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

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

Results of Operations

Production

(6:1 boe conversion)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Daily production:						
Crude oil (bbls/d)	**3,017**	1,075	181%	**2,612**	955	174%
Natural gas (mcf/d)	**155**	49	216%	**131**	54	143%
Total (boe/d)	**3,043**	1,083	181%	**2,634**	964	173%
% Heavy oil	**99%**	99%	0%	**99%**	99%	0%

Production for the three and nine months ended September 30, 2023 averaged 3,043 boe/d (99% crude oil) and 2,634 boe/d (99% crude oil), an increase of 181% and 173%, respectively, over production of 1,083 boe/d (99% crude oil) and 964 boe/d (99% crude oil) in the comparable periods of 2022.

The increase in production for the three months ended September 30, 2023 as compared to the comparable period is primarily the result of one month of production from the 400 boe/d Wyatt Acquisition and production additions from the third quarter capital expenditure program. Lycos experienced production downtime in the third quarter of 2023 due to delayed starts of new multi-well pads but will limit future downtime through new lease designs. The Company expects the full impact of production contributions from the third quarter drilling program to be reflected in its Q4 2023 results.

The increase in production for the nine months ended September 30, 2023 as compared to the comparable period is primarily the result of the 1,500 boe/d CDLP Acquisition and production additions from the 2023 year-to-date capital expenditure program.

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

Petroleum and Natural Gas Sales

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Crude oil	**28,154**	11,148	153%	**65,077**	30,945	110%
Blending expense	**4,223**	1,954	116%	**14,096**	5,628	150%
Crude oil, net of blending [(1)]	**23,931**	9,194	160%	**50,981**	25,317	101%
Natural gas	**29**	18	61%	**82**	79	4%
Total petroleum and natural gas revenues, net of blending [(1)]	**23,960**	9,212	160%	**51,063**	25,396	101%
Processing income	**127**	409	(69)%	**786**	1,068	(26)%
Total petroleum and natural gas sales, net of blending [(1)]	**24,087**	9,621	150%	**51,849**	26,464	96%

[(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 and nine months ended September 30, 2023, was $24.0 million and $51.1 million, respectively, as compared to $9.2 million and $25.4 million in the comparable periods of 2022 due to higher production volumes, offset by a lower realized price which is consistent with the decrease in benchmark Western Canadian Select ("WCS") pricing.

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

Benchmark and Realized Prices

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Averaged realized prices:						
Crude oil ($/bbl)[(1)(3)]	**86.22**	92.97	(7)%	**71.48**	97.11	(26)%
Natural gas ($/mcf)[(1)]	**2.04**	3.96	(48)%	**2.30**	5.37	(57)%
Barrels of oil equivalent ($/boe)[(2)(3)]	**85.59**	92.43	(7)%	**71.00**	96.50	(26)%
Benchmark prices:						
WTI ($US/bbl)	**82.26**	91.56	(10)%	**77.39**	98.09	(21)%
WCS ($US/bbl)	**69.35**	71.69	(3)%	**59.74**	82.29	(27)%
WCS ($Cdn/bbl)	**93.04**	93.53	(1)%	**80.37**	105.55	(24)%
Condensate at Edmonton ($Cdn/bbl)	**106.88**	115.27	(7)%	**102.37**	123.21	(17)%
Exchange rate ($Cdn/$US)	**1.34**	1.31	2%	**1.35**	1.28	5%

(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.

The prices received for crude oil and natural gas production directly impact the Company's earnings, adjusted funds flow from operations and the Statement of Financial Position.

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 West Texas Intermediate light oil ("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. The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices at Regina. The Company's realized crude oil prices in Lloydminster are based on Lloyd Kerrobert which is gathered to the east and south of Lloydminster on the Manito Pipeline system for delivery to the Kerrobert station on Enbridge Pipeline Inc's mainline system.

The Company's realized crude oil price, net of blending, for the three and nine months ended September 30, 2023 was $86.22/bbl and $71.48/bbl, respectively, as compared to $92.97/bbl and $97.11/bbl realized in the same periods of last year, consistent with the decrease in benchmark pricing.

WTI pricing decreased for the three and nine months ended September 30, 2023 as compared to the same periods of 2022 due to global recessionary concerns and lower forecast oil demand out of China. Lycos' discount to WCS widened from the comparative periods of 2022 due to higher blending costs relative to WCS pricing. Lycos' blends with a lower quality condensate as compared to the benchmark condensate at Edmonton which results in a wider differential relative to WCS. WCS for the nine months ended September 30, 2023 was impacted by refinery outages in the United States Gulf Coast, increasing supply which weakened the underlying WCS price differential compared to the same periods of 2022. WCS differentials improved in the third quarter of 2023 averaging US$12.91/bbl as compared to US$20/bbl in the first half of 2023 due to the restart of certain North American refineries. Given the recent incremental OPEC+ production cuts, the global expansion of heavy crude refining capacity coupled with the upcoming completion of the Trans Mountain pipeline expansion expected to commission in 2024, narrower heavy oil differentials appear to be supported by the overall supply-demand outlook. However, heavy oil differentials are expected to widen temporarily in Q4 2023 due to delays in the Trans Mountain pipeline expansion.

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

Risk Management

Financial Derivatives

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Realized losses	**(594)**	-	100%	**(502)**	-	100%
Unrealized losses	**(688)**	-	100%	**(677)**	-	100%
Financial derivative losses	**(1,282)**	-	100%	**(1,179)**	-	100%
Realized losses per boe ($)	**(2.12)**	-	100%	**(0.70)**	-	100%

The Company incurred a realized loss of $0.6 million and $0.5 million on its crude oil commodity risk management contracts for the three and nine months ended September 30, 2023 as the fixed price of the financial derivative commodity contracts was less than the settlement price in the period. The unrealized 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.

Fixed Price and 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 September 30, 2023, the Company had the following fixed price physical sales contract, which was an existing contract acquired in the CDLP Acquisition:

Index	Type	Term	Volume	Price/Unit
WCS	Fixed	October 1, 2023 to December 31, 2023	9,000 bbl/month	US $45.25

As at September 30, 2023, the Company had the following financial derivative commodity contracts:

Index	Type	Term	Volume	Price/Unit	Mark-to Market Asset (Liability)
WCS	Fixed	October 1, 2023 to October 31, 2023	500 bbl/d	CAD $91.60	$ (47)
WCS	Fixed	October 1, 2023 to December 31, 2023	250 bbl/d	CAD $80.15	$ (332)
WCS	Fixed	October 1, 2023 to December 31, 2023	300 bbl/d	CAD $84.80	$ (272)
WCS	Fixed	November 1, 2023 to November 30, 2023	500 bbl/d	CAD $91.05	$ (23)
WCS	Differential	January 1, 2024 to December 31, 2024	250 bbl/d	CAD ($20.00)	$ 199
WTI	Fixed	January 1, 2024 to March 31, 2024	250 bbl/d	CAD $106.50	$ (151)
WTI	Fixed	January 1, 2024 to March 31, 2024	250 bbl/d	CAD $111.55	$ (39)
WTI	Fixed	April 1, 2024 to June 30, 2024	250 bbl/d	CAD $109.05	$ (12)

Royalties

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Royalty expenses	**3,411**	1,579	116%	**7,484**	4,073	84%
Royalty rate (1)	**14.2%**	17.1%	(17)%	**14.7%**	16.0%	(8)%
Per boe ($)	**12.18**	15.84	(23)%	**10.41**	15.48	(33)%

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

Royalties are paid to provincial governments, 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 ("MRF"), 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. The Government of Saskatchewan has a drilling incentive whereby qualifying incentive volumes of newly drilled oil wells are subject to a maximum royalty rate of 2.5% for Crown production.

Royalties for the three months ended September 30, 2023, were $3.4 million or a 14.2% royalty rate as compared to $1.6 million or a 17.1% royalty rate in the comparable period. Year to date, royalties were $7.5 million or a 14.7% royalty rate compared to $4.1 million or a 16.0% royalty rate for the same period of 2022. On an absolute dollar basis, royalties increased over the comparable periods due to higher petroleum and natural gas revenues and increased production from lands subject to gross overriding royalties. On a royalty rate basis, royalties decreased slightly over the comparable periods due to the lower crude oil pricing environment and royalty incentives on newly drilled wells in Alberta and Saskatchewan.

Net Operating Expenses

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Operating expenses	**7,681**	5,751	34%	**19,980**	14,392	39%
Less: processing income	**127**	409	(69)%	**786**	1,068	(26)%
Total net operating expenses[1]	**7,554**	5,342	41%	**19,194**	13,324	44%
Per boe ($)	**26.98**	53.60	(50)%	**26.69**	50.63	(47)%

[1] See Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures

For the three and nine months ended September 30, 2023, net operating expenses increased to $7.6 million and $19.2 million, respectively, from $5.3 million and $13.3 million in the comparable periods due to a significant increase in production volumes and inflationary pressures.

On a per boe basis, net operating expenses for the three and nine months ended September 30, 2023, were $26.98 and $26.69, respectively, compared to $53.60 and $50.63 in the comparable periods. The overall decrease in net operating expenses per boe is due to synergies gained from the CDLP Acquisition and Wyatt Acquisition assets which are directly adjacent to the Company's existing assets in the Lloydminster area combined with capital expenditures on injection and disposal initiatives to lower operating costs requirements.

Transportation Expenses

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Transportation expenses	**324**	62	423%	**634**	191	232%
Per boe ($)	**1.16**	0.62	87%	**0.88**	0.73	21%

Transportation expenses include the cost of transporting natural gas and the cost to truck clean crude oil from the field to sales points and can fluctuate month to month depending on the product mix and the proximity of each well to a sales point. For the three and nine months ended September 30, 2023, total transportation expenses on an absolute and per boe basis, increased compared to the comparable periods due to higher production volumes and increased clean oil trucking to optimize received pricing.

Operating Netback

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Total petroleum and natural gas revenues, net of blending[1]	**23,960**	9,212	160%	**51,063**	25,396	101%
Royalties	**(3,411)**	(1,579)	116%	**(7,484)**	(4,073)	84%
Net operating expenses [1]	**(7,554)**	(5,342)	41%	**(19,194)**	(13,324)	44%
Transportation expenses	**(324)**	(62)	423%	**(634)**	(191)	232%
Operating netback[1]	**12,671**	2,229	468%	**23,751**	7,808	204%
Realized losses on financial derivatives	**(594)**	-	100%	**(502)**	-	100%
Operating netback[1], including financial derivatives	**12,077**	2,229	442%	**23,249**	7,808	198%

($/boe)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Total petroleum and natural gas revenues, net of blending[2]	**85.59**	92.43	(7)%	**71.00**	96.50	(26)%
Royalties	**(12.18)**	(15.84)	(23)%	**(10.41)**	(15.48)	(33)%
Net operating expenses[1]	**(26.98)**	(53.60)	(50)%	**(26.69)**	(50.63)	(47)%
Transportation expenses	**(1.16)**	(0.62)	87%	**(0.88)**	(0.73)	21%
Operating netback[1]	**45.27**	22.37	102%	**33.02**	29.66	11%
Realized losses on financial derivatives	**(2.12)**	-	100%	**(0.70)**	-	100%
Operating netback[1], including financial derivatives	**43.15**	22.37	93%	**32.32**	29.66	9%

(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 and nine months ended September 30, 2023, operating netback per boe was higher primarily due to lower net operating expenses and royalties, partially offset by a lower received price and higher transportation expense as compared to the same periods of 2022. On an absolute basis, operating netback was higher than the comparable periods due to higher production, partially offset by lower realized price, higher royalties, higher net operating expenses and higher transportation expenses.

General and Administrative ("G&A") Expenses

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
G&A expenses	**1,945**	1,241	57%	**5,174**	2,720	90%
Capitalized G&A and overhead recoveries	**(736)**	(397)	85%	**(1,973)**	(1,049)	88%
Net G&A expenses	**1,209**	844	43%	**3,201**	1,671	92%
Per boe ($)	**4.32**	8.47	(49)%	**4.45**	6.35	(30)%

For the three and nine months ended September 30, 2023, the Company incurred net G&A expenses of $1.2 million and $3.2 million, respectively, from $0.8 million and $1.7 million in the comparable periods due to employee related costs and professional fees associated with the Company's growth over the periods. For the three and nine months ended September 30, 2023, the Company increased capitalized G&A due to Lycos' higher capital expenditure program and technical staff additions as compared to the same periods of 2022. On a per boe basis, G&A expenses decreased as compared to the same periods of 2022 due to a significant increase in production over the periods.

Stock-based Compensation

($ in thousands)	Three months ended September 30, 2023	2022	% change	Nine months ended September 30, 2023	2022	% change
Stock options	**946**	-	100%	**2,554**	-	100%
Capitalized stock-based compensation	**(379)**	-	100%	**(994)**	-	100%
Stock-based compensation	**567**	-	100%	**1,560**	-	100%
Per boe ($)	**2.03**	-	100%	**2.17**	-	100%

The Company has established a share option plan for its directors, officers, employees, and certain consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. All stock options granted under plan 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.

During the three and nine months ended September 30, 2023, the Company recorded gross stock-based compensation expense of $0.9 million and $2.6 million, respectively, compared to $nil in the comparable periods of 2022. The Company capitalizes stock-based compensation expense related to petroleum and natural gas exploration and development activities. For the three and nine months ended September 30, 2023, Lycos recorded capitalized stock-based compensation expense of $0.4 million and $1.0 million, respectively, compared to $nil in the comparable periods of 2022.

The Company established a share option plan for its directors, officers, employees, and certain consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

As at September 30, 2023, Lycos granted stock options to certain employees, directors, and officers. 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. The following table summarizes the granted stock options:

	Number of Options[(1)]	**Exercise price**
January 25, 2023	**1,991,875**	**$ 4.40**
May 15, 2023	**142,500**	**$ 3.60**
August 24, 2023	**51,250**	**$ 3.68**
Total options granted in period	**2,185,625**	

(1) On June 14, 2023, the shareholders of Lycos approved a Consolidation of common shares on the basis of a ratio eight (8) pre-consolidation common shares for each one (1) post-consolidation common share. The Consolidation was effective on September 1, 2023. As a result, the number of stock options has been adjusted retrospectively to reflect the 8:1 share consolidation.

On August 24, 2023, the shareholders of Lycos approved a Consolidation of common shares on the basis of a ratio eight (8) pre-consolidation common shares for each one (1) post-consolidation common share. The Consolidation was effective on September 1, 2023. As a result, the number of stock options has been adjusted retrospectively to reflect the 8:1 share consolidation.

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Options outstanding, beginning of period	-	**$ -**	-	$ -
Granted	**2,185,625**	**$ 4.33**	-	$ -
Forfeited	**(51,250)**	**$ 4.40**	-	$ -
Options outstanding, end of period	**2,134,375**	**$ 4.33**	-	$ -

The range of exercise price of stock options outstanding and exercisable as at September 30, 2023, is as follows:

Outstanding options			
Exercise price	**Number of Options Outstanding**	**Weighted average remaining term (years)**	**Weighted average exercise price**
$ 3.60 - $ 4.40	2,134,375	4.4	$ 4.33

At September 30, 2023, there are no exercisable options.

Depletion and Depreciation ("D&D")

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Depletion and depreciation	**5,639**	2,125	165%	**14,745**	4,885	202%
Per boe ($)	**20.14**	21.32	(6)%	**20.50**	18.56	10%

D&D per boe will fluctuate from one period to the next depending on the amount and type of capital spending, 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 provided on 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 and nine months ended September 30, 2023, was $5.6 million and $14.7 million, respectively, compared to $2.1 million and $4.9 million for the comparable periods, due to a significant increase in the Company's production volumes and depletable base. For both the three and nine months ended September 30, 2023, D&D expenses per boe were consistent with the corresponding periods of the prior year.

Transaction Costs

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Transaction costs related to acquisitions	**649**	-	100%	**1,426**	-	100%
Transaction costs related to credit facilities	**-**	-	100%	**99**	-	100%
Transaction costs	**649**	-	100%	**1,525**	-	100%
Per boe ($)	**2.32**	-	100%	**2.12**	-	100%

For the three and nine months ended September 30, 2023, Lycos incurred $0.6 million and $1.5 million related to certain professional fees associated with acquisition activities. For the three months ended, the Company incurred $0.3 million associated with the Wyatt Acquisition and $0.3 million related to the DCEL Acquisition which closed subsequent to the third quarter of 2023. For the nine months ended, the Company incurred an additional $0.8 million related to the CDLP Acquisition and $0.1 million associated with the upfront fee and legal costs related to the revolving credit facility entered on January 16, 2023. All comparable periods incurred $nil transaction costs.

Finance Expense

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Accretion of decommissioning liabilities	**237**	139	71%	**619**	341	82%
Interest expense	**95**	-	100%	**152**	5	2940%
Interest on lease obligations	**15**	1	1400%	**37**	4	825%
	347	140	148%	**808**	350	131%
Per boe ($)	**1.24**	1.40	(11)%	**1.12**	1.33	(16)%

The Company's finance expense for the three and nine months ended September 30, 2023, was $0.3 million and $0.8 million compared to finance expense of $0.1 million and $0.4 million in the comparable periods. The increase in finance expense is primarily due to accretion on the decommissioning liabilities associated with the acquisitions and newly drilled wells combined with interest expense and standby fees on the Company's credit facility.

Other Income

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Other income	**53**	160	(67)%	**556**	421	32%
Per boe ($)	**0.19**	1.61	(88)%	**0.77**	1.60	(52)%

Other income consists of interest income associated with cash on hand and in the comparative periods includes government grants earned for well site rehabilitation. For the three and nine months ended September 30, 2023, the Company recognized $53 thousand and $0.6 million of other income, respectively, compared to $0.2 million and $0.4 million in the comparative periods.

Taxes

The following table outlines the Company's estimated tax pools as at September 30, 2023:

($ in thousands)	September 30, 2023	Annual Deductibility
Undepreciated capital cost	5,425	Primarily 25% declining balance
Canadian exploration expense	13,025	100%
Canadian development expense	31,904	30% declining balance
Canadian oil and gas property expense	23,951	10% declining
Non-capital loss carry forward	75,814	100%
Share issue costs	3,073	20% straight line
Total	**153,192**	

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Deferred income tax expense (recovery)	**1,332**	-	100%	**(10,841)**	-	100%

Due to the deferred income tax liabilities recognized in the CDLP Acquisition and Wyatt Acquisition and the Q1 2023 recognition of the deferred tax assets that were unrecognized in the comparative periods, the Company has recognized a deferred income tax liability of approximately $4.1 million as at September 30, 2023 and a corresponding deferred income tax recovery of $10.8 million for the nine months ended September 30, 2023 as compared to $nil in the comparable period. For the three months ended September 30, 2023 the Company recognized a deferred income tax expense of $1.3 million compared to $nil in the comparable period.

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

	Three months ended September 30,			Nine months ended September 30,		
($ in thousands, except per share)	**2023**	2022	% change	**2023**	2022	% change
Cash flow from operating activities	**7,534**	3,164	(138)%	**11,908**	4,482	166%
Adjusted funds flow from operations[(1)]	**10,826**	1,389	679%	**20,452**	6,157	232%
Net income	**1,699**	15,646	(89)%	**23,547**	18,619	26%
Per share - basic	**$ 0.04**	$ 1.59	(97)%	**$ 0.59**	$ 1.90	(69)%
Per share - diluted	**$ 0.04**	$ 1.59	(97)%	**$ 0.56**	$ 1.90	(71)%

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

The Company recorded net income of $1.7 million ($0.04 per basic and diluted share) and $23.5 million ($0.59 per basic and $0.56 per diluted share) for the three and nine months ended September 30, 2023 compared to net income of $15.6 million ($1.59 per basic and diluted share) and $18.6 million ($1.90 per basic and diluted share) in the comparable periods. The decrease in net income for the three months ended September 30, 2023 as compared to the same period in 2022 is primarily due to the reversal of impairment recognized in the comparative period and higher royalties, operating expenses and depletion and depreciation, partially offset by higher petroleum and natural gas sales and $nil loss on investment in associate in the current period due to the CDLP Acquisition.

The increase in net income for the nine months ended September 30, 2023 as compared to the same period in 2022 is primarily due to the deferred income tax recovery, the gain on CDLP Acquisition recognized in the period, and $nil million loss on investment in associate in the current period due to the CDLP Acquisition combined with higher petroleum and natural gas sales, partially offset by higher royalties, operating expenses and depletion and depreciation.

Adjusted funds flow from operations for the three and nine months ended September 30, 2023 was higher compared to the same periods in 2022. This was primarily due to an increase in revenue from additional production partially offset by lower realized commodity prices and higher operating expenses, royalties and G&A expenses.

Capital Expenditures

($ in thousands)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% change	**2023**	2022	% change
Land and geological and geophysical	**468**	4	11599%	**3,443**	93	3602%
Drilling and completions	**14,583**	2,369	516%	**30,067**	3,170	848%
Equipping and facilities	**2,263**	589	284%	**6,408**	1,243	416%
Other	**3,566**	60	5843%	**4,558**	96	4648%
Exploration and development	**20,880**	3,022	591%	**44,476**	4,602	866%
Acquisition through business combination, net of cash acquired	**6,110**	-	100%	**54,886**	-	100%
Property dispositions	**-**	(98)	(100)%	**-**	(316)	(100)%
Capital expenditures[(1)]	**26,990**	2,924	823%	**99,362**	4,286	2218%

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

During the three months ended September 30, 2023, the Company invested a total of $27.0 million on capital expenditures including $6.1 million cash consideration, net of closing adjustments and cash acquired, on the Wyatt Acquisition of core area assets in the Greater Lloydminster area, $0.5 million on lease acquisitions and seismic, $14.6 million on drilling and completions, $2.3 million on equipping and facilities, and $3.6 million related to other costs.

During the nine months ended September 30, 2023, the Company invested a total of $99.4 million on capital expenditures including cash consideration, net of cash acquired, of $48.8 million on the CDLP Acquisition and $6.1 million on the Wyatt Acquisition, net of closing adjustments, $3.4 million on lease acquisitions and seismic, $30.1 million on drilling and completions, $6.4 million on equipping and facilities, and $4.6 million related to other costs.

The Company's third quarter exploration and development program included three multi-leg fishbone wells (including two extended reach sweeper fishbone wells at 17 kilometers and 20 kilometers of drilled reservoir respectively) and three multi-lateral wells (including two new generation wine rack wells) that were brought onstream in September 2023. Lycos commenced one additional multi-lateral wine rack well that will be brought onstream in the fourth quarter. The Company invested $3.0 million on its redesigned drilling fluid system ("load oil") implemented to enhance well performance, that will be recycled and utilized for the Q4 2023 and future drilling programs. The load oil is included in other capital expenditures.

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

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		**2023**		2022	
	Gross(2)	Net(2)	Gross	Net	Gross(1)	Net(1)	Gross	Net
Crude oil	6.0	6.0	-	-	12.0	12.0	-	-
Disposal	0.0	0.0	-	-	2.0	2.0	-	-
Total	**6.0**	**6.0**	-	-	**14.0**	**14.0**	-	-
Success rate	**100%**	**100%**	N/A	N/A	**100%**	**100%**	N/A	N/A

(1) Of the 12 (12.0 net) crude oil wells drilled during the nine months ended September 30, 2023, 1 (1.0 net) well is scheduled to be converted to injection and 11 (11.0 net) wells were on production at September 30, 2023.
(2) All 6 (6.0 net) crude oil wells drilled during the three months ended September 30, 2023 were on production at September 30, 2023.

Investment in Associate

Prior to the Company's purchase of the equity interest of its partner on February 28, 2023, the Company held a 21.85% working interest in the Partnership, which was primarily engaged in the development for and production of heavy oil in Lloydminster, Alberta. The Lloydminster assets were held by the Partnership and its general partner, a subsidiary of the Company. The operations of the assets were managed and operated by Lycos under a management advisory and service agreement.

On February 28, 2023, Lycos completed the CDLP Acquisition, acquiring the remaining 78.15% interest in the Partnership from its partner though a wholly owned subsidiary with purchase consideration equal to $50.0 million in cash and the GORR. This transaction was accounted for as a business combination through a step acquisition in accordance with IFRS 3. Accordingly, the Company remeasured its investment in the Partnership immediately before the acquisition date. The fair value of net assets acquired was estimated at $67.5 million (or $14.8 million for the Company's 21.85% share in the Partnership), resulting in a gain of $11.4 million when compared to the carrying value of the investment of $3.7 million (including the $0.3 million unrecognized portion of transaction costs). Lycos and the Partnership were subsequently amalgamated on May 1, 2023.

Summarized below is the financial information of the Partnership and Lycos' share of net assets.

($ in thousands)		**February 28, 2023**		December 31, 2022
Current assets	**$**	**3,659**	$	3,801
Non-current assets		**90,344**		29,092
Current liabilities		**(5,325)**		(5,882)
Non-current liabilities		**(21,160)**		(11,750)
Net assets	**$**	**67,518**	$	15,261
Share of associate (percentage)		**21.85%**		21.85%
Share of net assets	**$**	**14,752**	$	3,335
Unrecognized portion of transaction costs [1]		**341**		341
Investment in associate before acquisition		**15,093**		3,676
Derecognition of investment in associate		**(15,093)**		-
Investment in associate	**$**	**-**	$	3,676

[1] The amount represented transaction costs incurred in 2018 and 2019 on the financing of the Partnership that are not included in the net assets of the associate.

($ in thousands) **Results of Operations for the Period Ended**		**February 28, 2023**		December 31, 2022
Revenues	**$**	**4,858**	$	24,125
Expenses		**(3,624)**		(30,325)
Depletion		**(1,073)**		(4,451)
Net income (loss)	**$**	**161**	$	(10,651)
Share of investment in associate (weighted average percentage)		**21.85%**		21.8%
Share of profit (loss) of investment in associate	**$**	**35**	$	(2,327)

The Company’s carrying amount of the investment in associate was as follows:

Investment in associate, December 31, 2021	$	6,931
Share of net loss from investment in associate		(2,327)
Adjustment related to Class D unit distribution [1]		(928)
Investment in associate, December 31, 2022	$	3,676
Share of net income from investment in associate		**35**
Gain on previously held investment in associate recognized in Consolidated Statement of Income and Comprehensive Income		**11,382**
Derecognition of investment in associate		**(15,093)**
Investment in associate, February 28, 2023	**$**	**-**

[1] During 2022, the Partnership paid a distribution to the holders of class D units, which were held by the Company's partner to the Partnership prior to the CDLP Acquisition.

Share Capital

Common Shares

The Company’s authorized share capital consists of an unlimited number of common shares (the “Common Shares”) and an unlimited number of preferred shares, issuable in series.

The following table summarizes the Company’s issued and outstanding Common Shares for the periods:

	September 30, 2023		December 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period [1]	**39,768,500**	**$ 177,032**	9,812,325	$ 113,332
Shares issued as part of the Wyatt acquisition[1]	**635,640**	**2,536**	-	-
Shares issued as part of subscription receipt private placement[1]	**-**	**-**	23,660,751	53,000
Shares issued as part of unit private placement[1]	**-**	**-**	5,357,143	12,000
Shares issued as part of subscription receipt unit private placement - advisory fee[1]	**-**	**-**	349,108	782
Acquired on reverse takeover[1]	**-**	**-**	589,173	1,320
Share issue costs	**-**	**-**	-	(3,402)
Balance, end of period[1]	**40,404,140**	**$ 179,568**	**39,768,500**	$ 177,032

(1) The number of common shares has been adjusted retrospectively to reflect the 8:1 share Consolidation that was approved by Lycos' shareholders on June 14, 2023 and effective on September 1, 2023.

The Company issued 635,640 Common Shares in the period ended September 30, 2023 in connection with the Wyatt Acquisition.

On June 14, 2023, the shareholders of Lycos authorized the Company's Board of Directors to consolidate its Common Shares on the basis of a ratio between four (4) and eight (8) pre-consolidation Common Shares for each one (1) post-consolidation Common Share. The Company's directors approved the Consolidation on an 8:1 basis effective September 1, 2023. As a result, the number of Common Shares has been adjusted retrospectively to reflect the 8:1 consolidation.

Pursuant to the RTO transaction, each of the common shares of Chronos was exchanged for two and a half (2.5) Common Shares of Lycos (presented on a pre-consolidation basis).

As at November 22, 2023 the Company had 53,081,147 common shares outstanding.

(in thousands)	**As at November 22, 2023**
Outstanding securities at November 22, 2023	
Common shares	53,081
Stock options	3,716
Warrants	5,706

Warrants

In connection with the RTO transaction and the related financing which closed in fourth quarter of 2022, the Company issued 5,706,250 (45,650,018 pre-consolidation) warrants. Each warrant entitles the holder thereof to purchase one Common Share anytime on or prior to December 12, 2027 at an exercise of $2.24 ($0.28 pre-consolidation) per Common Share. The warrants vest and become exercisable as to one-third upon the 10-day weighted average trading price of Common Shares (the “Market Price”) equalling or exceeding $3.36 ($0.42 pre-consolidation), an additional one-third upon the Market Price equaling or exceeding $3.92 ($0.49 pre-consolidation) and a final one-third upon the Market Price equaling or exceeding $4.48 ($0.56 pre-consolidation). The warrants are fully vested and exercisable.

Liquidity and Capital Resources

As at September 30, 2023, the Company’s capital structure is comprised of net debt of $29.0 million and shareholders’ equity of $137.0 million. Lycos’ net debt fluctuated from a net debt of $10.3 million at June 30, 2023 to $29.0 million as at September 30, 2023 primarily due to an acceleration of its capital expenditures program and the Wyatt Acquisition.

Subsequent to the third quarter of 2023, the Company closed a $35.0 million bought-deal financing in conjunction with the DCEL Acquisition. (see subsequent events). Following the completion of the financing and acquisition, Lycos is well positioned to execute on its short-term and longer-term growth strategy. The Company's planned activities for the remainder of 2023 will be funded by a combination of cash provided by operating activities, proceeds from the bought deal financing, and its $35.0 million credit facility. Alternatively, the Company may issue equity as consideration to complete any future acquisitions and undertake its exploration and development activities. Lycos maintains the flexibility to adjust its capital spending to manage working capital requirements.

Credit Facility

As at September 30, 2023, the Company had an uncommitted demand revolving credit facility of $35.0 million with the National Bank of Canada ("the Lender"). The next borrowing base review is expected to be completed on or about November 30, 2023.

The credit facilities are secured by a demand debenture in the amount of $100.0 million. The Company is subject to a financial covenant, whereby the Company's ratio of adjusted working capital, including any undrawn availability under the revolving facility as a current asset, shall not be less than 1.00:1.00. 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 September 30, 2023, 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.

On November 24, 2022, Lycos entered into a head office sublease agreement for a period of two years and eight months, commencing on May 1, 2023. The Company took possession of the head office space in January of 2023. The sublease agreement includes variable operating costs, which are a non-lease component, and will be recorded directly to general and administrative costs as incurred. Future minimum payments relating to variable operating costs as of September 30, 2023, are as follows:

	September 30, 2023
Less than 1 year	$ 528
1-2 years	768
Total commitments	**$ 1,296**

2023 Guidance

Due to the subsequent events discussed below, Lycos has increased its 2023 acquisition expenditures to $72.5 million. Wider WCS differentials in the fourth quarter of 2023 have impacted both the Company's average realized prices and higher blending costs, resulting in lower forecast adjusted funds flow from operations. In response, the Company has adjusted the fourth quarter of 2023 exploration and development expenditures. The Company is disciplined and continues to monitor commodity prices, heavy oil differentials and inflation and their combined impact on its 2023 guidance.

	Prior Guidance [(1)] Year Ended December 31, 2023	Updated Guidance [(2)] Year Ended December 31, 2023
Annual average production (boe/d)	3,150 boe/d	3,050 boe/d
Average Q4 2023 production (boe/d)	4,000 boe/d	4,200 boe/d
Acquisition expenditures	$69.5 million	$72.5 million
Exploration & development expenditures	$57.0 million	$55.0 million
Capital expenditures[(3)(4)]	$126.5 million	$127.5 million
Adjusted funds flow from operations[(3)]	$37.2 million	$35.1 million
Adjusted working capital (net debt) [(3)]	$nil	($7.8) million

[(1)] Prior guidance as updated on August 24, 2023 and further updated on September 13, 2023

[(2)] Updated guidance numbers are based on 2023 average pricing assumptions of: US$78.34/bbl WTI; (US$18.55) WCS differential; and $0.74 CAD/USD

[(3)] Total capital expenditures includes exploration and development capital, facilities, land and seismic and acquisitions and dispositions

[(4)] See Non-IFRS Measures, Non-IFRS Financial Ratios and Capital Management Measures

Subsequent Events

1) DCEL Acquisition and Financing

   On October 16, 2023, the Company closed the previously announced acquisition of DCEL. Lycos acquired all the issued and outstanding common shares of DCEL for consideration of $12.5 million in cash and 2,816,907 common shares of Lycos.

   Concurrent with the DCEL Acquisition, Lycos completed the Offering of 9,860,100 Lycos common shares at a price of $3.55 per common share for gross proceeds of approximately $35.0 million. A portion of the net proceeds from the Offering were used to fund the cash purchase price of the DCEL Acquisition.

   Given the DCEL Acquisition and the Offering closed on October 16, 2023, as at the date of the Company's condensed interim consolidated financial statements we do not have sufficient information to determine fair values and complete the purchase price allocation or the proforma financial information disclosures.

2) Acquisition of Alberta Mannville Lands

   On October 11th, 2023, Lycos completed the acquisition of Mannville lands in Alberta. Total consideration for the assets was approximately $3.5 million in cash, before closing adjustments.

3) On October 30th, 2023, Lycos granted 1,626,250 stock options to certain employees, directors and officers. The stock options expire five years from the date of grant and are exercisable at a price of $3.75 per common share. The options vest as to one-third on each of the first, second and third anniversary of the grant date.

Quarterly Results

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

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial *(thousands of dollars, except share data)*								
Total petroleum and natural gas sales, net of blending[(1)]	**24,087**	17,475	10,287	6,341	9,621	9,040	7,803	6,602
Cash flow from operating activities	**7,534**	9,022	(3,424)	910	3,164	(769)	2,087	2,214
Adjusted funds flow from operations [(1)]	**10,826**	7,004	2,622	(201)	1,389	2,342	2,426	938
Net income (loss)	**1,699**	36	21,812	(14,948)	15,646	1,626	1,347	11,737
Per share - basic	**$ 0.04**	$ 0.00	$ 0.55	$ (0.93)	$ 1.59	$ 0.17	$ 0.14	$ 1.20
Per share - diluted	**$ 0.04**	$ 0.00	$ 0.52	$ (0.93)	$ 1.59	$ 0.17	$ 0.14	$ 1.20
Adjusted working capital (net debt)[(1)]	**(29,015)**	(10,319)	(4,982)	56,835	636	2,199	887	(1,222)
Capital expenditures [(1)]	**26,990**	11,909	61,687	5,489	2,924	1,089	306	171
Weighted average shares outstanding (thousands)								
Basic	**39,976**	39,769	39,769	15,999	9,812	9,812	9,812	9,812
Diluted	**42,143**	41,903	42,300	15,999	9,812	9,812	9,812	9,812
Shares outstanding, end of period (thousands)								
Basic	**40,404**	39,769	39,769	39,769	9,812	9,812	9,812	9,812
Diluted	**42,571**	41,903	42,300	39,769	9,812	9,812	9,812	9,812
Operational								
Average daily production								
Crude oil (bbls/d)	**3,017**	2,890	1,919	1,109	1,075	892	895	910
Natural gas (mcf/d)	**155**	110	125	85	49	67	45	50
Total (boe/d)	**3,043**	2,908	1,940	1,123	1,083	903	903	918

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

December 2022 was a transformational period for Lycos following the RTO transaction, the Company's $65.0 million financing and the reconstitution of management and the Board of Directors. Exiting the year with $56.8 million of adjusted working capital and $59.6 million of cash on hand, the Company was well positioned for significant growth in 2023. Lycos continued its growth momentum in 2023 by completing the CDLP Acquisition and Wyatt Acquisition consisting of heavy oil assets in its Lloydminster and Greater Lloydminster area and a significant capital expenditures program, rig-releasing 12.0 net crude oil wells year to date. For the 2022 fiscal year and Q4 2021, the Company drove most of its growth from the acquisition of its legacy Lloydminster assets, which the Company purchased at the end of Q3 2021. Capital expenditures over the 2022 year and during 2023 have been targeted toward proving up the Company's drilling technology associated with a multi-leg "fishbone" wells and multi-lateral wells. In addition, the Company pursued a reactivation program of previously shut-in wells and the associated equipping and facility expenditures to take advantage of the higher commodity price environment and optimization projects to reduce operating expenses. Lycos grew average daily production to 3,043 boe/d in the third quarter of 2023 from 918 boe/d in the fourth quarter of 2021. The recovery of crude oil prices and the increase in the Company's daily average production has resulted in an increase in sales and cash flow from operating activities over the periods.

Prior to Q4 2021, the Company's capital expenditures have been directed primarily towards the development of its assets in southwest Saskatchewan consisting of recompletion and reactivations, a waterflood pressure maintenance scheme and facilities to increase fluid handling capacity and optimization projects to reduce operating expenses.

Changes in Accounting Policies

There were no changes that had a material effect on the reported income or net assets of the Company.

Off-Balance Sheet Arrangements

All off-balance sheet arrangements are in the normal course of business. Refer to the commitments under the heading "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" and "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 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 costs incurred and transaction costs. Management considers adjusted funds flow from operations to be a key measure to assess the performance of the Company's oil and gas properties and the Company's ability to fund future capital investment. Adjusted funds flow from operations is an indicator of operating performance as it varies in response to production levels and management of costs. Changes in non-cash working capital, decommissioning costs incurred and transaction costs vary from period to period and management believes that excluding the impact of these provides a useful measure of Lycos' ability to generate the funds necessary to manage the capital needs of the Company.

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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Cash flow from operating activities	**7,534**	3,164	**11,908**	4,482
Change in non-cash working capital	**1,744**	(1,795)	**5,656**	1,655
Funds flow from operations	**9,278**	1,369	**17,564**	6,137
Decommissioning costs incurred	**899**	20	**1,363**	20
Transaction costs	**649**	-	**1,525**	-
Adjusted funds flow from operations	**10,826**	1,389	**20,452**	6,157
Per boe ($)	**38.67**	13.94	**28.44**	23.40

Adjusted Working Capital (Net Debt)

Adjusted working capital (net debt) is a capital management measure which management uses to assess the Company's liquidity. The Company believes its presentation of adjusted working capital (net debt) is a useful supplemental measure because Management maintains the flexibility to adjust its decommissioning expenditures to manage working capital requirements and financial derivative assets/liabilities are subject to volatility prior to settlement and are included in Lycos' reported adjusted funds flow from operations in the production month that they are realized.

($ in thousands)	**September 30, 2023**	December 31, 2022	September 30, 2022
Working capital[1]	**(31,192)**	55,835	636
Current portion of decommissioning liabilities	**1,500**	1,000	-
Financial derivative receivable	**(199)**	-	-
Financial derivative liabilities	**876**	-	-
Adjusted working capital (net debt)	**(29,015)**	56,835	636

(1) Includes bank debt

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

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

($ in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Crude oil	**28,154**	11,148	**65,077**	30,945
Blending expense	**4,223**	1,954	**14,096**	5,628
Crude oil, net of blending	**23,931**	9,194	**50,981**	25,317
Natural gas	**29**	18	**82**	79
Total petroleum and natural gas revenues, net of blending	**23,960**	9,212	**51,063**	25,396

Total Petroleum and Natural Gas Sales, Net of Blending

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

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, acquisition through business combination and proceeds on disposition in the Company's Interim 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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net cash used in investing activities	**18,227**	1,985	**81,202**	2,953
Change in non-cash working capital	**8,763**	939	**18,160**	1,333
Capital expenditures	**26,990**	2,924	**99,362**	4,286

Advisories

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.

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 Interim 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", "expect", "plan", "intend", "estimate", "propose", "project", "budget", "forecast", "should", "will", "may" or similar words 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; (ii) statements with respect to the 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; (iv) Lycos' expectations of royalty expenses as a percentage of revenue; (v) Lycos' 2023 guidance related to expected annual average production, capital expenditures (including strategic acquisition(s) and further drilling plans), adjusted annual funds flow and exit adjusted working capital (net debt); (vi) 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 WCS differentials; (ix) expectations in respect of the Company's sweeper fishbone wells and wine rack wells, including anticipated benefits and results; (x) the Company's financial hedging program including the use of financial derivatives to manage fluctuations in commodity prices; and (xi) ability of the Company to achieve drilling success consistent with management's expectations. In addition, the statements contained herein relating to "reserves" and "resources" 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, reserves and resources estimates provided herein are internal estimates only and there is no guarantee that the estimated reserves or resources 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 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 ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing of and costs of 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 ability of the Company to successfully market its oil and natural gas products; 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; 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); failure to realize the anticipated benefits of the Consolidation, the Wyatt Acquisition and/or the DCEL Acquisition; unforeseen difficulties integrating the assets acquired into Lycos' operations; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; 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 uncertainty of foreign currency exchange rates and interest rates; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of royalty payments; health, safety and environmental risks; adverse weather or break-up conditions; 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; the impact of Russia's military actions in Ukraine; the Israel-Palestinian conflict; 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.

This disclosure contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control. These include, but are not limited to: the impact of general global economic conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; competition; the lack of availability of qualified personnel or management; the lack of availability of or access to services; fluctuations in foreign exchange rates, interest rates or commodity prices; the results of exploration and development drilling related activities; imprecision in reserve estimates; market volatility; changes to market valuations; and obtaining required approvals from regulatory authorities.

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.

Additional risks and information on risk factors are included in the Company’s Annual Information Form for the year ended December 31, 2022, which is available on the Company's website at www.lycosenergy.com and under the Company’s profile on SEDAR+ at www.sedarplus.ca.

Corporate Information

Board of Directors	Officers
KEVIN OLSON (1) (2) (3) *Chairman of the Board of Directors* Calgary, Alberta	DAVE BURTON, P.Eng., M.Eng. President & CEO
BRUCE BEYNON (3) *Independent Director* President, Tiburon Exploration Corp. Calgary, Alberta	KYLE BOON, P.Tech (Eng.) Chief Operating Officer LINDSAY GOOS, CPA-CA, CPHR Vice President Finance & CFO
GERI GREENALL (1) *Independent Director* CFO, Spartan Delta Corp. Calgary, Alberta	JAMIE CONBOY, P.Geo. Vice President, Exploration
ALI HORVATH (1)(2) *Independent Director* VP Finance & CFO, Headwater Exploration Inc. Calgary, Alberta	BARRET HENSCHEL, P.Eng. Vice President, Production JEFF RIDEOUT Vice President, Land
KEL JOHNSTON (2)(3) *Independent Director* President and CEO, Wylander Crude Corp. Calgary, Alberta	SONY GILL Corporate Secretary Stikeman Elliott LLP

Special Advisor to the Board

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Chartered Professional Accountants
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Independent Reservoir Consultants
Sproule Associates Limited
Calgary, Alberta

(1) Audit Committee

(2) Corporate Governance and Compensation Committee

(3) Reserves, Environment and Health and Safety Committee